



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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**to be held May 17, 2012**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Credit Acceptance Corporation, a Michigan corporation, will be held at its principal executive offices, 25505 West Twelve Mile Road, Southfield, Michigan 48034, on Thursday, May 17, 2012, at 8:00 a.m., local time, for the following purposes:

- (a) Election of five directors to serve until the 2013 Annual Meeting of Shareholders;
- (b) Approval of the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan;
- (c) Advisory vote on executive compensation;
- (d) Ratification of the selection of Grant Thornton LLP as Credit Acceptance Corporation's independent registered public accounting firm for 2012; and
- (e) Transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Shareholders of record on March 22, 2012 will be entitled to notice of and to vote at this meeting. You are invited to attend the meeting. Whether or not you plan to attend in person, please cast your vote. On April 5, 2012, Credit Acceptance Corporation mailed a Notice of Internet Availability of Proxy Materials containing instructions on how to access our 2012 proxy statement and 2011 annual report and vote online. You may also request a paper proxy statement and proxy card to submit your vote by mail, if you prefer. We encourage you to vote via the Internet. It is convenient and saves us significant postage and processing costs. The Proxy is revocable and will not affect your right to vote in person if you are a shareholder of record and attend the meeting.

By Order of the Board of Directors,  
Charles A. Pearce  
Chief Legal Officer and Corporate Secretary

Southfield, Michigan  
April 5, 2012



## Credit Acceptance Corporation

### PROXY STATEMENT

#### Annual Meeting of Shareholders to be held May 17, 2012

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Credit Acceptance Corporation, a Michigan corporation (the "Company", "Credit Acceptance", "we", "our", or "us"), to be used at the Annual Meeting of Shareholders of Credit Acceptance (the "Annual Meeting") to be held on Thursday, May 17, 2012, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders and in this Proxy Statement. This Proxy Statement and the enclosed form of Proxy were first sent or given to security holders on or about April 5, 2012.

Only shareholders of record at the close of business on March 22, 2012 (the "Record Date") will be entitled to vote at the meeting or any adjournment or postponement thereof. Each holder of the 25,468,505 issued and outstanding shares of our common stock (the "Common Stock") on the Record Date is entitled to one vote per share. The presence, either in person or by properly executed proxy, of the holders of a majority of the outstanding shares of Common Stock is necessary to constitute a quorum at the Annual Meeting.

Under rules adopted by the U.S. Securities and Exchange Commission (the "SEC"), we are now furnishing proxy materials to our shareholders on the Internet, rather than mailing printed copies of those materials to each shareholder. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials on the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials.

A proxy may be revoked at any time before it is exercised by giving a written notice to our Corporate Secretary bearing a later date than the proxy, by submitting a later-dated proxy or, if you are a shareholder of record or hold legal authority from a shareholder of record, by voting the shares represented by the proxy in person at the Annual Meeting. Unless revoked, the shares represented by each duly executed, timely delivered proxy will be voted in accordance with the specifications made. **If no specifications are made on a duly executed, timely delivered proxy, such shares will be voted FOR the election of directors named in this Proxy Statement, FOR the approval of the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan (the "Plan" or "Incentive Plan"), FOR the advisory proposal to approve our executive compensation program, and FOR ratifying the selection of Grant Thornton LLP ("Grant Thornton") as our independent registered public accounting firm for 2012.** The Board does not intend to present any other matters at the Annual Meeting. However, should any other matters properly come before the Annual Meeting, it is the intention of such proxy holders to vote the proxy in accordance with their best judgment to the extent permitted by law.

Directors are elected by a plurality of the votes cast at the Annual Meeting. The approval of the Plan requires a majority of the votes cast. The approval of an advisory vote on executive compensation requires the affirmative vote of a majority of the votes cast at the Annual Meeting by the holders of shares entitled to vote thereon. The ratification of the selection of Grant Thornton as our independent registered public accounting firm for 2012 requires the affirmative vote of a majority of the votes cast at the Annual Meeting by the holders of shares entitled to vote thereon.

If you own shares through a bank or broker in street name, you may instruct your bank or broker how to vote your shares. “Broker non-votes” occur when a bank, broker or other nominee holder has not received voting instructions with respect to a particular matter and the nominee holder does not have discretionary power to vote on that matter. The ratification of independent registered public accountants is considered a routine matter, and therefore your bank or broker will have discretionary authority to vote your shares held in street name on this proposal. The election of directors, approval of the Plan, and the advisory vote on executive compensation are not considered routine matters, and therefore your bank or broker will not have discretionary authority to vote your shares held in street name on those proposals.

Shareholders who withhold their vote or abstain from voting on any or all proposals will be included in the number of shareholders present at the meeting and counted for purposes of determining a quorum. Withheld votes will be excluded entirely from the vote on the election of directors and will therefore have no effect on the election. Abstentions are not considered a vote “for” or “against” a proposal and will be excluded entirely from the vote related to the approval of the Plan, the advisory vote on executive compensation, and the ratification of the selection of Grant Thornton as our independent registered public accounting firm for 2012 and, because the approval of such proposals requires the affirmative vote of a majority of the votes cast at the Annual Meeting, abstentions will have the same effect as a vote against such proposals.

The expenses of soliciting proxies will be paid by Credit Acceptance. In addition to solicitation by mail, our officers and employees, who will receive no extra compensation therefore, may solicit proxies personally or by telephone. We will reimburse brokerage houses, custodians, nominees and fiduciaries for their expense in mailing proxy materials to shareholders.

**COMMON STOCK OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information as of March 22, 2012 concerning beneficial ownership by all directors and nominees, by each of the executive officers named in the Summary Compensation Table, by all directors and executive officers as a group, and by all other beneficial owners of more than 5% of the outstanding shares of Common Stock. The number of shares beneficially owned is determined under rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire on March 22, 2012 or within 60 days thereafter through the exercise of any stock option or other right. Unless otherwise indicated, each holder has sole investment and voting power with respect to the shares set forth in the following table.

| Name   | Number of Shares<br>Beneficially Owned | Percent of<br>Outstanding Shares (1) |
|--|--|--------------------------------------|
| Donald A. Foss   | 10,852,108 (a)                         | 42.6 %                               |
| Brett A. Roberts   | 108,296                                | *                                    |
| Steven M. Jones  | 5,533                                  | *                                    |
| John P. Neary  | -                                      | *                                    |
| Kenneth S. Booth   | 7,433 (b)                              | *                                    |
| Glenda J. Flanagan   | 104,000 (b)                            | *                                    |
| Thomas N. Tryforos   | 498,573 (c)                            | 2.0 %                                |
| Scott J. Vassalluzzo   | 390,255 (d) (e)                        | 1.5 %                                |
| All Directors and Executive Officers as a Group (10 persons) | 11,972,962 (b) (f)                     | 46.8 %                               |
| Allan V. Apple   | 1,967,834 (a)                          | 7.7 %                                |
| Prescott General Partners LLC                                | 3,802,045 (e)                          | 14.9 %                               |
| Idoya Partners L.P.  | 1,888,097 (e)                          | 7.4 %                                |
| Prescott Associates L.P.                                     | 1,830,101 (e)                          | 7.2 %                                |

\* Less than 1%.

(1) In accordance with SEC regulations, the percentage calculations are based on 25,468,505 shares of common stock issued and outstanding as of March 22, 2012 plus shares of common stock which may be acquired pursuant to exercisable options, within 60 days of March 22, 2012, by each individual or group listed in (b).

(a) Shares beneficially owned by Messrs. Foss and Apple consist of the following:

| <u>Name</u>    | <u>Sole Voting and Dispositive Power</u> | <u>Shared Voting and Dispositive Power</u> | <u>Total</u>      |
|----------------|--|--|-------------------|
| Donald A. Foss | 3,636,292                                | 83,166 (iv)                                | 3,719,458         |
|                | 320,000 (i)                              | -  | 320,000           |
|                | 3,190,610 (ii)                           | -  | 3,190,610         |
|                | 3,622,040 (iii)                          | -  | 3,622,040         |
|                | <u>10,768,942</u>                        | <u>83,166</u>                              | <u>10,852,108</u> |
| Allan V. Apple | <u>1,967,834</u> (v)                     | -  | <u>1,967,834</u>  |

- (i) Shares held as collateral in a loan facility at Comerica Bank.
- (ii) Karol A. Foss, as the Trustee of the Karol A. Foss Revocable Trust Under Agreement dated January 16, 1981, as amended and restated on January 26, 1984, June 28, 1990, December 10, 1997 and April 1, 2005, is the record owner of these shares. Mr. Foss has sole voting power and dispositive power of such shares pursuant to an agreement dated December 6, 2001 which expires December 6, 2013 but Ms. Foss and her Trusts have the right to receive any dividends on and any proceeds from the sale of such shares. Mr. Foss disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.
- (iii) Jill Foss Watson, as the Trustee of the Jill Foss Watson Trust Under Agreement dated March 28, 2007, and the Karol A. Foss Irrevocable Grandchildren's Trust dated December 22, 2008 is the record owner of these shares. Mr. Foss has sole voting power and dispositive power of such shares pursuant to an agreement dated December 6, 2001 which expires December 6, 2013 but Ms. Foss Watson and her Trusts have the right to receive any dividends on and any proceeds from the sale of such shares. Mr. Foss disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.
- (iv) Shares are owned by a limited liability company in which Mr. Foss has a 20% interest. Mr. Foss disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.
- (v) Shares are held by the Donald A. Foss 2010 Annuity Trust dated May 20, 2010, by the Donald A. Foss 2010 Annuity Trust #2 dated December 21, 2010, and by the Donald A. Foss 2011 Annuity Trust dated January 13, 2011, Mr. Apple as the Trustee, for the benefit of Mr. Foss as annuitant and his children and son's nephew as remaindermen. Mr. Foss does not have any voting power or dispositive power.

The business address of Messrs. Foss and Apple is 25505 West Twelve Mile Road, Southfield, Michigan 48034.

- (b) Includes shares which the individual has the right to acquire upon exercise of employee or director stock options, as follows:

| Name   | Stock Options |
|--|---------------|
| Kenneth S. Booth   | 4,805         |
| Glenda J. Flanagan   | 100,000       |
| All Directors and Executive Officers as a Group (10 persons) | 104,805       |

- (c) Mr. Tryforos shares power to dispose of 27,773 shares owned by others but has no voting rights with regard to those shares.
- (d) A reconciliation of the number of shares beneficially owned by Mr. Vassalluzzo, based on information obtained directly from him as of March 22, 2012, is as follows:

| Shared Voting and<br>Dispositive Power | Sole Voting and<br>Dispositive Power | No Voting and Shared<br>Dispositive Power | Total   |
|--|--------------------------------------|---|---------|
| 183,500                                | 57,758                               | 148,997                                   | 390,255 |

The business address of Mr. Vassalluzzo is 323 Railroad Avenue, Greenwich, Connecticut 06830.

- (e) Based on a Schedule 13D, dated and filed with the SEC on January 5, 2012, jointly by Prescott General Partners LLC, Idoya Partners L.P, Prescott Associations L.P., Thomas W. Smith and Scott J. Vassalluzzo (together, "Prescott"). The Prescott 13D reports that Prescott General Partners LLC, a Delaware limited liability company, is the general partner of Idoya Partners L.P. and Prescott Associates L.P., both New York limited partnerships. The Prescott 13D further reports that Messrs. Smith and Vassalluzzo are the managing members of Prescott General Partners LLC. The Prescott 13D further reports that Prescott General Partners LLC may be deemed to share the power to vote or to direct the vote and to dispose or direct the disposition of 3,802,045 shares. The Prescott 13D further reports that Idoya Partners L.P. and Prescott Associates L.P. have shared power to vote or direct the vote and dispose or to direct the disposition of 1,888,097 shares and 1,830,101 shares, respectively. The Prescott 13D further reports that the business address of Prescott General Partners LLC, Idoya Partners L.P. and Prescott Associates L.P. is 323 Railroad Avenue, Greenwich, Connecticut 06830.
- (f) Includes shares referenced in (a), (b), (c), (d) and (e), above.

## **PROPOSAL #1 - ELECTION OF DIRECTORS**

### **Description of Nominees**

Five directors, constituting the entire Board, are to be elected at the Annual Meeting. Each director holds office until the next annual meeting of shareholders and until his or her successor has been elected and qualified. The nominees named below have been selected by the Board. If, due to circumstances not now foreseen, any of the nominees named below will not be available for election, the proxies will be voted for such other person or persons as the Board may select. Each of the nominees is currently a director of Credit Acceptance.

The following sets forth information as to each nominee for election at the Annual Meeting, including their age, present principal occupation, other business experience during the last five years, directorships in other publicly-held companies, membership on committees of the Board and period of service as a director of Credit Acceptance. The Board recommends a vote FOR each of the nominees for election. **Executed proxies will be voted FOR the election of director nominees unless shareholders specify otherwise in their proxies.** The election of directors requires a plurality of the votes cast, so that only votes cast “for” directors are counted in determining which directors are elected. The five directors receiving the most “for” votes will be elected. Withheld votes will be treated as shares present for purposes of determining the presence of a quorum but will have no effect on the vote for the election of directors.

#### **Donald A. Foss; age 67; Chairman of the Board of Directors.**

Mr. Foss is our founder and significant shareholder, in addition to owning and operating companies engaged in the sale of used vehicles. He was formally named Chairman of the Board of Directors and Chief Executive Officer of Credit Acceptance in March 1992 and vacated the Chief Executive Officer position effective January 1, 2002.

#### **Glenda J. Flanagan; age 58; Executive Vice President and Chief Financial Officer, Whole Foods Market, Inc.**

Ms. Flanagan is the Executive Vice President and Chief Financial Officer of Whole Foods Market, Inc., the largest natural and organic foods supermarket retailer in the United States. Ms. Flanagan joined Whole Foods Market in 1988 as Chief Financial Officer, prior to which she held positions in public accounting, retail and business consulting. Ms. Flanagan became a director of Credit Acceptance in March 2004. She is also a director of Golfsmith International Holdings, Inc.

#### **Brett A. Roberts; age 45; Chief Executive Officer.**

Mr. Roberts joined Credit Acceptance in 1991 as Corporate Controller and was named Assistant Treasurer in March 1992 and Vice President-Finance in April 1993. He was named Chief Financial Officer and Treasurer in August 1995. He was named Executive Vice President and Chief Financial Officer in January 1997, Co-President in January 2000, Executive Vice President of Finance and Operations in October 2000, Chief Operating Officer in January 2001, and Chief Executive Officer in January 2002. Mr. Roberts assumed the position of President from September 2006 until April 2007. Mr. Roberts became a director of Credit Acceptance in March 2002.

#### **Thomas N. Tryforos; age 52; Private Investor.**

Mr. Tryforos is presently a private investor. Between May 1991 and September 2004, Mr. Tryforos was employed as a General Partner at Prescott Investors, Inc., a private investment firm based in Connecticut. Mr. Tryforos became a director of Credit Acceptance in July 1999.

#### **Scott J. Vassalluzzo; age 40; Managing Member, Prescott General Partners LLC**

Mr. Vassalluzzo is a Managing Member of Prescott General Partners LLC, an investment advisory firm. Mr. Vassalluzzo joined Prescott in 1998 as an equity analyst and became a General Partner in 2000. Prior to 1998, Mr. Vassalluzzo worked in public accounting at Coopers & Lybrand (now PricewaterhouseCoopers LLP) and received a certified public accountant certification. Mr. Vassalluzzo became a director of Credit Acceptance in March 2007. He is also a director of World Acceptance Corporation.

## **Other Executive Officers**

### **Steven M. Jones; age 48; President.**

Mr. Jones joined Credit Acceptance in October 1997 as Manager of the Debt Recovery Department for Credit Acceptance Corporation UK Limited, in which position he served until November 1999 when he was named Deputy Managing Director, Credit Acceptance Corporation UK Limited. In December 2001, he was named Managing Director Credit Acceptance Corporation UK Limited in which he was responsible for the operations of our United Kingdom business segment. Mr. Jones was named Chief Administrative Officer in November 2003, Chief Analytics Officer in December 2004, Chief Originations Officer in June 2006, and to his present position in April 2007. Mr. Jones also assumed the responsibilities of Chief Operating Officer in February 2008.

### **John P. Neary; age 35; Chief Administrative Officer.**

Mr. Neary joined Credit Acceptance in August 2004 as a Senior Business Analyst. He was named Manager, Servicing Systems in May 2005. Mr. Neary left the Company in July 2006 and became a Senior Project Manager for RWD Technologies. In February 2007, Mr. Neary rejoined Credit Acceptance as Director - DPSC Policy Compliance & Process. He was named Vice President – Operations Improvement in October 2007, Senior Vice President – Operations Improvement in October 2008, Chief Information Officer in August 2010, and to his current position as Chief Administrative Officer in June 2011.

### **Kenneth S. Booth; age 44; Chief Financial Officer.**

Mr. Booth joined Credit Acceptance in January 2004 as Director of Internal Audit. He was named Chief Accounting Officer in May 2004 and to his present position in December 2004. From August 1991 until joining us, Mr. Booth worked in public accounting, most recently as a senior manager at PricewaterhouseCoopers LLP.

### **Douglas W. Busk; age 51; Senior Vice President and Treasurer.**

Mr. Busk joined Credit Acceptance in November 1996 as Vice President and Treasurer. He was named Chief Financial Officer in January 2000. Mr. Busk served as Chief Financial Officer and Treasurer until August 2001, when he was named President of our Capital Services unit. He resumed his duties as Chief Financial Officer and Treasurer in December 2001 and has been in his present position since May 2004.

### **Charles A. Pearce; age 47 Chief Legal Officer and Corporate Secretary.**

Mr. Pearce joined Credit Acceptance in January 1996 as General Counsel. He was named Vice President — General Counsel in January 1997; Vice President — General Counsel and Corporate Secretary in June 1999 and to his present position in December 2004.

## **Leadership Structure of the Board**

The Board is responsible for evaluating and determining our optimal leadership structure so as to provide independent oversight of management. The Board has the authority to combine or separate the positions of Chairman and Chief Executive Officer as well as determine whether, if the positions are separated, the Chairman is an affiliated director or an independent director. Since January 1, 2002, we have separated the positions of Chairman and Chief Executive Officer. Mr. Foss serves as Chairman of the Board due to his extensive knowledge relating to our line of business and experience with us, which continue to be invaluable to the Board. Mr. Roberts serves as our Chief Executive Officer due to his in-depth knowledge of the Company and his ability to provide strategic guidance to our business operations. The Board periodically reviews our leadership structure to determine if it is still appropriate in light of current corporate governance standards, market practices, our specific circumstances and needs, and any other factors that may be relevant to the discussion. While the Board does not have a lead independent director, the three independent directors on the Board meet separately regularly and rotate responsibility for chairing these separate sessions of the independent directors. The Board believes that the current Board leadership structure is the most appropriate for us and our shareholders at this time.

## **Risk Oversight of the Board**

It is management's responsibility to manage risk and bring to the Board's attention our most material risks. The Board has oversight responsibility of the processes established to report and monitor systems for material risks applicable to us. The Audit Committee regularly reviews our significant risks and exposures and assesses the steps management has taken to minimize such risk.

## **Meetings and Committees of the Board of Directors**

The Board held seven meetings during 2011. All directors attended all meetings of the Board and committees of the Board on which he or she served during 2011. Directors are expected to use their best efforts to be present at the annual meeting of shareholders. All of our directors who were serving at such time of the 2011 Annual Meeting attended the 2011 Annual Meeting.

Standing committees of the Board include the Executive Compensation Committee, the Audit Committee and the Nominating Committee. The members of each of the committees during 2011 were Messrs. Tryforos and Vassalluzzo and Ms. Flanagan. Messrs. Tryforos and Vassalluzzo and Ms. Flanagan were determined to be "independent directors" as defined in Rule 5605(a)(2) of The Nasdaq Stock Market ("Nasdaq").

The Board has adopted charters for each of the three standing committees. The charters are available on our website at [www.creditacceptance.com](http://www.creditacceptance.com) through the "Corporate Governance" link on the "Investor Relations" page.

The Executive Compensation Committee held six meetings in 2011. The Executive Compensation Committee's principal responsibilities include: (a) reviewing and approving on an annual basis the compensation of all our executive officers, (b) making recommendations to the Board regarding compensation of non-employee directors, and (c) reviewing and administering all benefit plans pursuant to which our securities (including stock options, restricted share grants, and restricted share unit awards) are granted to our executive officers or directors.

The Nominating Committee held three meetings in 2011. The Nominating Committee's principal responsibilities include: (a) establishing criteria for the selection of new Board members and conducting searches and interviews for individuals qualified to become Board members; (b) making recommendations to the Board regarding director nominees for the next annual meeting of shareholders from the pool of identified qualified individuals; and (c) recommending to the Board which directors should serve on the various committees of the Board. The Nominating Committee may use various methods to identify director candidates, including recommendations from existing Board members, management, shareholders, search firms and other outside sources. The Nominating Committee does not have a formal policy of considering diversity in identifying potential director nominees, but believes that diversity, in skills, experience, perspective and background, is an important contributing factor to an effective decision-making process. Director candidates need not possess any specific minimum qualifications, rather, a candidate's suitability for nomination and election to the Board will be evaluated in light of the diversity of skills, experience, perspective and background required for the effective functioning of the Board, as well as our strategy and regulatory and market environments. All nominees are currently directors of Credit Acceptance. When considering whether the nominees have the experience, attributes and skills to serve as a director, the Board focused primarily on the biographical information set forth above. In particular with respect to Mr. Foss, the Board considered his extensive knowledge relating to our line of business and experience with us. With respect to Mr. Roberts, the Board considered his in-depth knowledge of the Company and his ability to provide strategic guidance to our business operations. With respect to Ms. Flanagan, the Board considered her significant management experience, expertise, and background with regard to accounting and financial matters. With respect to Mr. Tryforos, the Board considered his experience on our Board and his background with regard to investing and financial matters. With respect to Mr. Vassalluzzo, the Board considered his expertise and background with regard to investing and financial matters. The Nominating Committee will consider candidates recommended by shareholders using the same procedures and standards utilized for evaluating candidates recommended by other sources. See "Shareholder Proposals and Nominees for 2013 Annual Meeting" for a description of the procedures for shareholders to submit recommendations of candidates for director.

The Audit Committee met ten times in 2011. The Audit Committee's principal responsibilities include: (a) overseeing the integrity of our financial statements and financial reporting process, and our systems of internal accounting and financial controls; (b) overseeing the annual independent audit of our financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (c) overseeing our disclosure controls and procedures; (d) overseeing whistleblower procedures (e) approving in advance all audit services and to ensure that a written statement is received from the external auditors setting forth all relationships with us; (f) reviewing and approving any related party transactions; (g) periodically meeting with the Chief Legal Officer and Corporate Secretary and the appropriate legal staff to review our material legal affairs; and (h) acting as the Qualified Legal Compliance Committee. The Board has determined that each of the members of the Audit Committee is "independent", as independence is defined in the applicable Nasdaq and SEC rules for Audit Committee members. The Board has also determined that Mr. Tryforos, Mr. Vassalluzzo and Ms. Flanagan are "audit committee financial experts" as defined by applicable SEC rules and that each of the Audit Committee members satisfies all other qualifications for Audit Committee members set forth in the applicable Nasdaq and SEC rules.

## **Report of the Audit Committee**

In accordance with its written charter, the Audit Committee provides assistance to the Board in fulfilling its responsibility to the shareholders, potential shareholders and investment community relating to oversight of the independent auditors, corporate accounting, reporting practices and the quality and integrity of our financial reports.

In discharging its oversight responsibility as to the audit process, the Audit Committee received from the independent auditors and reviewed a formal written statement describing all relationships between the auditors and us that might reasonably be thought to bear on the auditors' independence consistent with the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the audit committee concerning independence, and discussed with the auditors any relationships that may reasonably be thought to impact their objectivity and independence and satisfied itself as to the auditors' independence.

The Audit Committee discussed with the independent auditors the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee reviewed and discussed with management and the independent auditors our audited financial statements as of and for the fiscal year ended December 31, 2011 and the independent auditors' evaluation of our internal control over financial reporting.

Based on the above-mentioned reviews and discussions with management and the independent auditors, the Audit Committee recommended to the Board that our audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the SEC. The Audit Committee also reappointed Grant Thornton as the independent auditors for the fiscal year ended December 31, 2012.

### **AUDIT COMMITTEE:**

**Glenda J. Flanagan**  
**Thomas N. Tryforos (Chair)**  
**Scott J. Vassalluzzo**

### **Shareholder Communications with the Board**

Shareholders desiring to communicate with the Board or any individual director may call 1-866-396-0556 or e-mail the Board by going to our website at [www.ir.creditacceptance.com/contactboard.cfm](http://www.ir.creditacceptance.com/contactboard.cfm). Telephone calls will be taped and summarized by the third party provider which monitors the hotline service. A summary of the calls received will be sent to the Chief Legal Officer and Corporate Secretary, the Director - Internal Audit, the Chairman of the Audit Committee, and to any director to whom communications are addressed. Communications submitted to the Board through our website will be received by our Chief Legal Officer and Corporate Secretary, the Director - Internal Audit, the Chairman of the Audit Committee, and any directors to whom the communication was addressed.

### **Codes of Ethics**

We have adopted codes of ethics that apply to our directors, executive officers and other employees. The codes of ethics are available on our website at [www.creditacceptance.com](http://www.creditacceptance.com) through the "Corporate Governance" link on the "Investor Relations" page. Shareholders may also obtain a written copy of the codes of ethics, without charge, by sending a written request to the Investor Relations Department, Credit Acceptance Corporation, P.O. Box 513, Southfield, Michigan 48034. We intend to disclose any amendments to, or waivers from, the provisions of the codes of ethics applicable to our directors or executive officers on our website.

## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation of Executive Officers

This Compensation Discussion and Analysis describes the elements of compensation for the following individuals, collectively referred to as the “named executive officers”:

- Donald A. Foss, Chairman of the Board;
- Brett A. Roberts, Chief Executive Officer;
- Steven M. Jones, President;
- John P. Neary, Chief Administrative Officer; and
- Kenneth S. Booth, Chief Financial Officer.

### General Philosophy

Our executive compensation programs are designed to achieve the following objectives:

- Attract and retain individuals that will drive business success; and
- Provide appropriate incentives that reward outstanding financial performance and align the interests of executives and shareholders.

We accomplish these objectives through compensation programs that:

- Contain a significant component tied to individual and Company performance;
- Provide competitive overall compensation if performance objectives are achieved; and
- Encourage participants to act as owners.

### Overall Process

The Executive Compensation Committee (the “Compensation Committee”) oversees and approves our overall compensation strategy and determines all aspects of compensation for our Chief Executive Officer and Chairman. The Compensation Committee also determines compensation for other named executive officers after considering recommendations supplied by our Chief Executive Officer.

The Compensation Committee periodically reviews all aspects of executive compensation and determines if existing plans are effective in meeting the objectives described above. Such reviews are typically conducted at the first meeting of each fiscal year. From time to time, the Compensation Committee may make modifications to existing plans or adopt new plans.

### Compensation – Mr. Roberts, Chief Executive Officer

Compensation for Mr. Roberts, our Chief Executive Officer, includes a base salary and equity-based incentive compensation.

Base salaries at all levels in the organization are designed to provide a level of basic compensation and allow us to recruit and retain qualified team members. Mr. Roberts’ base salary was determined by the Compensation Committee after considering the following:

- The performance of Credit Acceptance over Mr. Roberts’ tenure as Chief Executive Officer;
- An assessment of Mr. Roberts’ individual performance;
- Market data;
- Internal benchmarks; and
- Other components of Mr. Roberts’ total compensation plan.

In March 2012, the Compensation Committee determined Mr. Roberts' 2012 annual base salary. Mr. Roberts' annual base salary had remained unchanged since February 2007. Based on the criteria stated above, Mr. Roberts' annual base salary was increased from \$800,000 to \$1,025,000.

The principal component of Mr. Roberts' incentive compensation plan is comprised of performance-based restricted stock unit ("RSU") and restricted stock awards that vest based upon the achievement of growth targets in adjusted economic profit. Adjusted economic profit measures how efficiently we utilize our total capital, both debt and equity. Management uses adjusted economic profit to assess our performance as well as to make capital allocation decisions. Management believes this measure is important to shareholders because it allows shareholders to compare the returns we earn by investing capital in our core business with the return they could expect if we returned capital to shareholders and they invested in other securities. Adjusted economic profit is defined, for the purposes of the RSU and restricted stock vesting calculation, as net income (adjusted for non-recurring items and certain non-US GAAP adjustments, as included in our earnings releases) less a cost of capital. The cost of capital includes a cost of debt and a cost of equity. The cost of equity is determined based on a formula that considers the risk of the business (assessed at 5% + the average 30 year treasury rate) and the risk associated with our use of debt. The actual formula utilized for determining the cost of equity is as follows: (the average 30 year treasury rate + 5%) + [(1 - tax rate) x (the average 30 year treasury rate + 5% - the pre-tax average cost of debt rate) x (average debt/(average equity + average debt x tax rate))].

On February 22, 2007, the Compensation Committee approved an award of 300,000 RSUs to Mr. Roberts. Each RSU represents and has a value equal to one share of our common stock. The RSUs vested over a five year period starting in 2007, based upon the compounded annual growth rate in our adjusted economic profit. Each year, 20% of the grant was eligible for vesting. The vesting percentage of RSUs eligible for vesting was determined as follows:

| <b>Compounded Annual Growth Rate in Adjusted Economic Profit</b> | <b>Vesting Percentage (a)</b> |
|--|-------------------------------|
| 10% or greater   | 100%                          |
| greater than 0% but less than 10%                                | 50%                           |
| less than 0%   | 0%                            |

(a) Represents the percentage of RSUs eligible for vesting that will vest. RSUs eligible for vesting include RSUs that were eligible for vesting in prior years, but did not vest in prior years.

In 2011, under the formula described above, the compounded annual growth rate in adjusted economic profit was greater than 10%, so 100% of the 60,000 RSUs eligible to vest were vested upon the approval of the Compensation Committee in February 2012. As of the Record Date, all of the 300,000 RSUs awarded to Mr. Roberts have vested. Vested RSUs will be distributed to Mr. Roberts on February 22, 2014. If we had paid a cash dividend to holders of common stock from 2007 through 2011 (the "performance period"), we would have credited Mr. Roberts, on each date that we paid a cash dividend to holders of common stock generally, an additional number of RSUs equal to the total number of whole RSUs and additional share units previously credited multiplied by the dollar amount of the cash dividend paid per share of common stock by us on such date, divided by the closing price of a share of common stock on such date. No such dividends were credited during the performance period. Mr. Roberts will not have voting rights associated with the vested RSUs until the distribution date.

On March 26, 2012, the Compensation Committee approved an award of 310,000 RSUs and 190,000 shares of restricted stock ("restricted shares") to Mr. Roberts. The 310,000 RSUs are eligible to vest over a ten year period starting in 2012 based upon the cumulative dollar amount of improvement in annual adjusted economic profit as compared to the annual adjusted economic profit for 2011. The number of shares that will vest will be calculated based on the following formula: Cumulative improvement in adjusted economic profit divided by \$200 million multiplied by 310,000. The cumulative number of RSUs that may be vested as of the end of any year may not exceed 31,000 (or 10% of the total) multiplied by the number of full calendar years that have elapsed since January 1, 2012. Vested RSUs will be settled in stock in equal installments on December 31, 2022, 2023, 2024, 2025 and 2026.

The 190,000 shares of restricted stock is comprised of 90,000 shares that vest over a ten year period starting in 2012 and 100,000 shares that vest over a five year period beginning in 2022.

The 90,000 restricted shares eligible to vest beginning in 2012 may vest based on the following formula: Cumulative improvement in adjusted economic profit divided by \$200 million multiplied by 90,000. The cumulative number of restricted shares that may be vested as of the end of any year may not exceed 9,000 (or 10% of the total) multiplied by the number of full calendar years that have elapsed since January 1, 2012. Any of the 90,000 restricted shares that vest will be subject to sale restrictions that will prevent the shares from being sold until such restrictions lapse. The sales restrictions will generally lapse in equal installments on December 31, 2022, 2023, 2024, 2025 and 2026; provided, however, that the sales restrictions will proportionally lapse on an earlier date in the event that the Company repurchases shares or pays a cash dividend based on the aggregate number of shares repurchased divided by the number of Company shares outstanding and/or the aggregate amount of cash paid as a dividend, divided by the fair market value of the Company, as applicable.

The 100,000 shares are eligible to vest in equal installments if adjusted economic profit exceeds \$343,143,000 in 2022, 2023, 2024, 2025 and 2026. Any of the 100,000 restricted shares that vest will be distributed at the time of vesting. If the Company pays a cash dividend, the amount of such dividend will be paid in additional restricted shares for any unvested restricted shares and in additional RSUs for any undistributed RSUs. The amount of such dividend will be paid in cash for any vested restricted shares.

The Compensation Committee believes that the RSUs and restricted stock granted to Mr. Roberts appropriately align his compensation with the interests of shareholders as a result of the following:

- The financial rewards will only be received if long-term adjusted economic profit increases over time;
- The amount of compensation received will be proportionate to the amount of shareholder wealth created as measured by the share price; and
- The RSU and restricted stock awards are long-term in nature, which will incentivize Mr. Roberts to take actions that will benefit shareholders longer-term.

The allocation between cash and equity compensation, and between short- and long-term incentives, was determined based on the discretion of the Compensation Committee. The ultimate allocation will depend on our future performance and future changes in our share price. If vesting targets are achieved, it is likely that a substantial percentage of the amount realized will be from long-term, equity-based incentives, which is consistent with the philosophy of the Committee that executive compensation should be linked to long-term shareholder value. Since a substantial portion of the amounts to be realized by Mr. Roberts will be restricted until 2022, the Committee believes this plan creates an incentive for Mr. Roberts to take actions and make decisions that will benefit us over a long-term time period. Such incentives are believed to be appropriate given the nature of the duties and responsibilities assigned to the Chief Executive Officer.

Mr. Roberts also maintains a substantial ownership stake in Credit Acceptance. As of the Record Date, Mr. Roberts owned 108,296 shares of our common stock and 210,000 vested RSUs.

#### ***Compensation – Mr. Foss, Chairman of the Board***

Mr. Foss' base salary and performance is reviewed on an annual basis by the Compensation Committee. Mr. Foss does not receive any form of incentive compensation due to his significant ownership percentage of Credit Acceptance. In February 2012, the Compensation Committee determined that Mr. Foss' annual base salary of \$475,000 for 2011, which compensates him for the services that he renders to us during the year, will remain unchanged for 2012. Mr. Foss' base salary has remained at this level since 1998.

## ***Compensation – Other Named Executive Officers***

*Base Salaries.* Base salaries at all levels in the organization are designed to provide a level of basic compensation and allow us to recruit and retain qualified team members. Base salaries are determined by the Compensation Committee after reviewing recommendations supplied by our Chief Executive Officer. The recommendations were based on the following factors:

- The performance of Credit Acceptance;
- An assessment of the named executive officer's individual performance;
- Market data;
- Internal benchmarks;
- Other non-equity and equity compensation components of the named executive officer's total compensation plan; and
- Roles and responsibilities for each named executive officer.

In February 2012, the Compensation Committee determined 2012 base salaries for the other named executive officers. Based on the criteria stated above, the following base salary changes were made: Mr. Jones' annual base salary increased from \$578,813 to \$607,753; Mr. Neary's annual base salary increased from \$376,250 to \$413,875; and Mr. Booth's annual base salary increased from \$376,229 to \$395,040. The increases to base salaries were determined based on a combination of Company results for 2011 and each employee's individual performance attainments for the year.

*Incentive Compensation – Mr. Jones, President.* The principal component of Mr. Jones' incentive compensation plan is comprised of RSU awards. On October 2, 2008 and March 27, 2009, the Compensation Committee approved awards of 100,000 and 50,000 RSUs, respectively, to Mr. Jones. The RSUs have the same terms as those granted to Mr. Roberts in 2007, as described above, with the exception of the performance period and the distribution date. The RSUs granted to Mr. Jones will vest based on adjusted economic profit results for 2009 through 2013 and vested RSUs will be distributed on February 22, 2016. In 2011, under the formula described above, the compounded annual growth rate in adjusted economic profit was greater than 10%, so 100% of the 30,000 RSUs eligible to vest were vested upon the approval of the Compensation Committee in February 2012. As of the Record Date, 90,000 of the 150,000 RSUs awarded to Mr. Jones have vested.

*Incentive Compensation – Mr. Neary, Chief Administrative Officer and Mr. Booth, Chief Financial Officer.* The incentive compensation plan for Mr. Neary, our Chief Administrative Officer, and Mr. Booth, our Chief Financial Officer, attempts to balance individual performance with overall annual and long-term Company performance and is comprised of RSU awards and annual cash bonuses.

On November 13, 2008, Mr. Neary was awarded 25,000 RSUs and Mr. Booth was awarded 22,500 RSUs. The RSUs granted to Messrs. Neary and Booth have the same terms as those granted to Mr. Roberts in 2007, as described above, with the exception of the performance period and distribution date. The RSUs will vest based on adjusted economic profit results for 2009 through 2013 and vested RSUs will be distributed on February 22, 2016. In 2011, under the formula described above, the compounded annual growth rate in adjusted economic profit was greater than 10%, so 100% of the 5,000 and 4,500 RSUs eligible to vest for Messrs. Neary and Booth were vested, respectively, upon the approval of the Compensation Committee in February 2012. As of the Record Date, 15,000 of the 25,000 RSUs awarded to Mr. Neary and 13,500 of the 22,500 RSUs awarded to Mr. Booth have vested.

The potential cash bonus awards were set based on a review of market data and internal benchmarks and range from 0% to 60% of the recipient's base salary based on a combination of Company performance and the individual's performance rating. Company performance is measured through the annual increase in adjusted economic profit and determines the range of possible cash bonus awards. If growth from the prior year in adjusted economic profit, as disclosed in our annual earnings release, exceeds 10%, the cash bonus ranges from 0% to 60%. If growth in adjusted economic profit is greater than 0% but less than 10%, the cash bonus ranges from 0% to 45%. If adjusted economic profit in 2011 falls below that achieved in 2010, the cash bonus ranges from 0% to 30%. In 2011, growth in adjusted economic profit exceeded 10%. Individual performance is assessed twice per year through a formal performance review. Messrs. Neary and Booth each have defined duties and responsibilities related to their role in the organization and the annual review assesses the named executive officer's performance for the full year and determines the amount of the cash bonus within the range established, as described above. Within the range established by the growth in adjusted economic profit, the actual amount awarded depends entirely on the individual's performance rating. For 2011, Messrs. Neary and Booth earned cash bonus amounts of \$225,750 and \$150,491, respectively, which were paid out in February 2012.

The Compensation Committee believes that the RSUs granted to Messrs. Jones, Neary, and Booth appropriately align their compensation with the interests of shareholders as a result of the following:

- The financial rewards will only be received if long-term adjusted economic profit increases over time;
- The amount of compensation received will be proportionate to the amount of shareholder wealth created as measured by the share price; and
- The RSU awards are long-term in nature, which will incentivize Messrs. Jones, Neary, and Booth to take actions that will benefit shareholders longer-term.

#### ***Deductibility of Executive Compensation***

Section 162(m) of the Internal Revenue Code of 1986, as amended, restricts the deductibility of executive compensation paid to our Chief Executive Officer and any of the four other most highly compensated executive officers at the end of any fiscal year to not more than \$1 million in annual compensation (including gains from the exercise of certain stock option grants). Certain performance-based compensation is exempt from this limitation if it complies with the various conditions described in Section 162(m).

The Compensation Committee intends, where appropriate, to structure compensation in a manner that causes it to qualify as performance-based compensation under Section 162(m); however, it believes that it may be appropriate from time to time to exceed the limitations on deductibility under Section 162(m) to ensure that executive officers are compensated in a manner that it believes to be consistent with our best interests and our shareholders, and reserves the authority to approve non-deductible compensation in appropriate circumstances.

#### ***Report of the Executive Compensation Committee***

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis above with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

#### ***Response to 2011 Say-on-Pay***

Stockholder endorsement of the design and administration of our executive compensation programs was evidenced by a vote of approval at our 2011 annual meeting of stockholders in excess of 99% of the votes cast. As a result of this favorable vote regarding our Named Executive Officers' compensation, it was determined that no changes were necessary to our executive compensation design and administration. In addition, at our 2011 annual meeting of stockholders, our stockholders voted to hold an advisory vote on executive compensation every year. The Compensation Committee has accepted the stockholders' recommendation and therefore, stockholders will have another opportunity to consider and approve, in a non-binding advisory vote, the compensation of our Named Executive Officers at the Annual Meeting.

## THE EXECUTIVE COMPENSATION COMMITTEE

**Glenda J. Flanagan**  
**Thomas N. Tryforos**  
**Scott J. Vassalluzzo (Chair)**

### SUMMARY COMPENSATION TABLE

The following table sets forth certain summary information for the year indicated concerning the compensation awarded to, earned by, or paid to the Chief Executive Officer, the Chief Financial Officer, and our other three most highly compensated executive officers who were serving as executives as of December 31, 2011.

| Name and Principal Position         | Year | Salary     | Bonus (a)  | Stock Awards (b) | Non-Equity Incentive Plan Compensation (a) | All Other Compensation (c) | Total      |
|-------------------------------------|------|------------|------------|------------------|--|----------------------------|------------|
| <b>Donald A. Foss</b>               | 2011 | \$ 475,000 | \$ -       | \$ -             | \$ -                                       | \$ 3,675                   | \$ 478,675 |
| <i>Chairman of the Board</i>        | 2010 | 475,000    | -          | -                | -  | 3,675                      | 478,675    |
|                                     | 2009 | 475,000    | -          | -                | -  | 2,450                      | 477,450    |
| <b>Brett A. Roberts</b>             | 2011 | \$ 800,000 | \$ 175,000 | \$ -             | \$ -                                       | \$ 7,350                   | \$ 982,350 |
| <i>Chief Executive Officer</i>      | 2010 | 800,000    | -          | -                | -  | 7,350                      | 807,350    |
|                                     | 2009 | 800,000    | -          | -                | -  | 5,385                      | 805,385    |
| <b>Steven M. Jones</b>              | 2011 | \$ 578,813 | \$ -       | \$ -             | \$ -                                       | \$ 6,019                   | \$ 584,832 |
| <i>President</i>                    | 2010 | 551,250    | -          | -                | -  | 4,900                      | 556,150    |
|                                     | 2009 | 525,000    | -          | 1,567,835        | -  | -                          | 2,092,835  |
| <b>John P. Neary (d)</b>            | 2011 | \$ 376,250 | \$ -       | \$ -             | \$ 225,750                                 | \$ 10,002                  | \$ 612,002 |
| <i>Chief Administrative Officer</i> | 2010 | 350,000    | -          | -                | 175,000                                    | 10,683                     | 535,683    |
| <b>Kenneth S. Booth</b>             | 2011 | \$ 376,229 | \$ -       | \$ -             | \$ 150,491                                 | \$ 12,452                  | \$ 539,172 |
| <i>Chief Financial Officer</i>      | 2010 | 358,312    | -          | -                | 143,325                                    | 13,133                     | 514,770    |
|                                     | 2009 | 341,250    | -          | 103,784          | 136,500                                    | 11,444                     | 592,978    |

- (a) The amounts in this column were determined and approved by the Compensation Committee during February 2012, 2011 and 2010 for the years ended December 31, 2011, 2010 and 2009, respectively, and paid out shortly thereafter.
- (b) The amounts reported in this column represent the aggregate grant date fair value of any stock awards granted during the fiscal years ended December 31, 2011, 2010 and 2009. The grant date fair value was determined using the average of the high and low market prices of our common stock reported on Nasdaq as of the grant date of the awards.
- (c) The amounts disclosed in this column consist of our matching contribution for the 401(k) Profit Sharing Plan. Additionally, the amounts include payments under the Credit Acceptance Corporation Profit Sharing Variable Compensation Program, available to all team members except the Chairman of the Board, Chief Executive Officer, and President. This program is designed to reward team members for increased Company profitability by way of a quarterly payment. Total perquisites for each named executive officer during the years ended December 31, 2011, 2010 and 2009 did not exceed \$10,000 and therefore, were not reported in this table.
- (d) Mr. Neary was not a named executive officer prior to fiscal year 2010. Accordingly, only his compensation for fiscal years 2010 and 2011 is included in the table.

## 2011 GRANTS OF PLAN-BASED AWARDS

The following table sets forth information concerning each grant of an award made to the named executive officers listed below in 2011.

| Name             | Estimated Future Payouts Under<br>Non-Equity Incentive Plan Awards (a) |                |                 |
|------------------|--|----------------|-----------------|
|                  | Threshold<br>(\$)  | Target<br>(\$) | Maximum<br>(\$) |
| John P. Neary    | \$ -   | \$ 225,750     | \$ 225,750      |
| Kenneth S. Booth | -  | 150,491        | 225,737         |

- (a) The amounts were determined in accordance with the formulas determined by the Compensation Committee in accordance with the named executive officers' incentive compensation plans. The cash bonus plan for Messrs. Neary and Booth combines individual and Company performance. They receive a percentage of their base salary as a cash bonus depending on the annual percentage growth in adjusted economic profit, as disclosed in our annual earnings release, generated by us in the current year and individual performance. Cash bonus amounts fall into the following three categories:

| Annual Percentage Growth in Adjusted Economic Profit | Cash Bonus Award Range |
|--|------------------------|
| exceeds 10%  | 0% to 60%              |
| greater than 0% but less than 10%                    | 0% to 45%              |
| less than 0%   | 0% to 30%              |

In 2011, the annual percentage growth in adjusted economic profit exceeded 10%. Messrs. Neary and Booth earned cash bonus amounts of \$225,750 and \$150,491, respectively, which were paid out in February 2012.

## OUTSTANDING EQUITY AWARDS AT 2011 FISCAL YEAR-END

The following table provides information with respect to unexercised options and shares of restricted stock and restricted share units held by the named executive officers as of December 31, 2011.

| Name             | Option Awards   |                            |                        | Stock Awards  |  |
|------------------|---|----------------------------|------------------------|---|--|
|                  | Number of Securities Underlying Unexercised Options (#) Exercisable | Option Exercise Price (\$) | Option Expiration Date | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#) (a) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (b) |
| Brett A. Roberts | -   | \$ -                       | -                      | 60,000  | \$ 4,936,800   |
| Steven M. Jones  | -   | \$ -                       | -                      | 99,331  | \$ 8,172,955   |
| John P. Neary    | -   | \$ -                       | -                      | 16,264  | \$ 1,338,202   |
| Kenneth S. Booth | 4,805   | \$ 17.045                  | 02/27/14               | 15,442  | \$ 1,270,568   |

- (a) Represents shares of restricted stock and RSUs granted under the Incentive Plan. Restricted stock has time-based vesting requirements and will vest in three equal installments on the anniversary of the grant date, beginning on the first anniversary of the grant date, provided that the named executive officer is employed with us through those dates.

RSUs granted to the named executive officers have performance-based vesting requirements. Each year during the performance period, 20% of the RSUs are eligible to vest as follows:

- 100% of the RSUs eligible to vest will vest if the compounded annual growth rate in adjusted economic profit is 10% or greater;
- 50% of the RSUs eligible to vest will vest if the compounded annual growth rate in adjusted economic profit is greater than 0% but less than 10%;
- Otherwise 0% of the RSUs eligible to vest will vest;
- In years 2 through 5 of the performance period, if the compounded annual growth rate in adjusted economic profit is 10% or greater, then all the RSUs that did not vest in prior years will also vest.
- In years 2 through 5 of the performance period, if the compounded annual growth rate in adjusted economic profit is less than 10% and the number of previously vested RSUs exceeds the current vesting calculation, then no additional RSUs will vest.

- (b) Value is equal to the closing market price reported on Nasdaq of \$82.28 per share as of December 31, 2011, multiplied by the number of shares of unvested restricted stock and RSUs held.

## 2011 OPTION EXERCISES AND STOCK VESTED

The following table provides information with respect to options exercised and shares acquired on vesting by the named executive officers during 2011.

| Name             | Option Awards                             |                                 | Stock Awards                                 |                                    |
|------------------|---|---------------------------------|--|------------------------------------|
|                  | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) (a) | Value Realized on Vesting (\$) (b) |
| Brett A. Roberts | 205,394                                   | \$ 12,179,625                   | 60,000                                       | \$ 3,732,000                       |
| Steven M. Jones  | -   | -                               | 39,331                                       | 2,522,902                          |
| John P. Neary    | -   | -                               | 6,980  | 450,349                            |
| Kenneth S. Booth | -   | -                               | 6,900  | 448,952                            |

(a) Includes the vesting of time-based restricted stock and RSUs. The value realized on the vesting of 60,000, 30,000, 5,000, and 4,500 RSUs is deferred for Messrs. Roberts, Jones, Neary, and Booth, respectively, until the RSUs are distributed. The distribution date for the vested RSUs is February 22, 2014 for Mr. Roberts and any value will be realized upon the delivery of the shares. The distribution date for the vested RSUs is February 22, 2016 for Messrs. Jones, Neary, and Booth and any value will be realized upon the delivery of the shares.

(b) The amounts are calculated based on the closing price reported on Nasdaq as of the date vested, or the business day preceding the scheduled vesting date if the scheduled vesting occurs on a weekend or holiday.

## 2011 NONQUALIFIED DEFERRED COMPENSATION TABLE

| Name             | Executive Contributions in Last Fiscal Year (\$) | Registrant Contributions in Last Fiscal Year (\$) | Aggregate Earnings in Last Fiscal Year (\$ (a)) | Aggregate Withdrawals / Distributions (\$) | Aggregate Balance at Last Fiscal Year-End (\$ (b)) |
|------------------|--|---|---|--|--|
| Brett A. Roberts | \$ -   | \$ -  | \$ 4,097,100                                    | \$ -                                       | \$ 17,278,800                                      |
| Steven M. Jones  | -  | -   | 2,926,500                                       | -  | 12,342,000   |
| John P. Neary    | -  | -   | 487,750   | -  | 2,057,000  |
| Kenneth S. Booth | -  | -   | 438,975   | -  | 1,851,300  |

(a) The amounts relate to RSUs granted prior to December 31, 2010 which are settled in shares on a date that is later than the date on which they vest and are more fully described in the Compensation Discussion and Analysis section of this Proxy Statement. The reported amount of aggregate earnings is calculated based on the number of RSUs awarded to the individual multiplied by the difference between the closing market price reported on Nasdaq of \$82.28 per share as of December 31, 2011 and \$62.77 per share as of December 31, 2010, less the difference between the closing market price as of December 31, 2011 and the closing market price on the date of any aggregate withdrawals or distributions.

(b) The grants of these RSUs were disclosed in the Summary Compensation Table and Grant of Plan Based Awards table in the year of grant. Such amounts do not represent additional compensation. The RSUs earned and the RSUs that are still subject to forfeiture for each individual during the associated performance period are as follows as of December 31, 2011:

| Name             | Aggregate Balance at Last Fiscal Year-End |                            |               |
|------------------|---|----------------------------|---------------|
|                  | Earned (\$)                               | Subject to Forfeiture (\$) | Total (\$)    |
| Brett A. Roberts | \$ 12,342,000                             | \$ 4,936,800               | \$ 17,278,800 |
| Steven M. Jones  | 4,936,800                                 | 7,405,200                  | 12,342,000    |
| John P. Neary    | 822,800                                   | 1,234,200                  | 2,057,000     |
| Kenneth S. Booth | 740,520                                   | 1,110,780                  | 1,851,300     |

## POTENTIAL PAYMENTS ON TERMINATION/CHANGE IN CONTROL

None of our named executive officers have individual agreements with us providing for cash severance payments or benefits continuation on termination of employment prior to or following a change in control. If a named executive officer terminates employment for any reason prior to the lapse of the restricted period for restricted stock or the vesting period for RSU awards, any restricted stock or unvested RSU awards shall be forfeited. The Compensation Committee may waive or change the remaining restrictions or add additional restrictions with respect to any restricted stock or RSU award that would otherwise be forfeited, as it deems appropriate.

The following table sets forth the potential amounts payable to our named executive officers in the event of a change in control with respect to restricted stock and restricted stock unit awards held by our named executive officers as of December 31, 2011:

| Name             | Accelerated Vesting of Equity Awards (a) |                                     | Total        |
|------------------|--|-------------------------------------|--------------|
|                  | Restricted Stock                         | Unvested Restricted Stock Units (b) |              |
| Brett A. Roberts | \$ -                                     | \$ 4,936,800                        | \$ 4,936,800 |
| Steven M. Jones  | 767,755                                  | 7,405,200                           | 8,172,955    |
| John P. Neary    | 104,002                                  | 1,234,200                           | 1,338,202    |
| Kenneth S. Booth | 159,788                                  | 1,110,780                           | 1,270,568    |

- (a) In the event of a change in control, the restrictions applicable to restricted stock and granted RSUs shall lapse, the performance goals shall be deemed to have been achieved at target levels, and all other terms and conditions shall be deemed to have been satisfied. Payment shall be made in cash within 30 days following the effective date of the change in control.

The amounts reported are calculated based on the number of unvested shares held by each named executive officer multiplied by closing market price reported on Nasdaq of \$82.28 per share as of December 31, 2011.

- (b) In addition to the awards set forth in this table, upon termination of employment for any reason, our named executive officers are eligible for payment of vested RSUs at the time that they would have received payment absent termination.

As of March 26, 2012, the potential amounts payable to our named executive officers in the event of a change in control with respect to restricted stock and restricted stock unit awards held by our named executive officers, including the new grant awarded to our CEO, are as follows:

| Name             | Accelerated Vesting of Equity Awards (a) |                                     | Total         |
|------------------|--|-------------------------------------|---------------|
|                  | Restricted Stock                         | Unvested Restricted Stock Units (b) |               |
| Brett A. Roberts | \$ 20,235,000                            | \$ 33,015,000                       | \$ 53,250,000 |
| Steven M. Jones  | -  | 6,390,000                           | 6,390,000     |
| John P. Neary    | -  | 1,065,000                           | 1,065,000     |
| Kenneth S. Booth | -  | 958,500                             | 958,500       |

- (a) In the event of a change in control, the restrictions applicable to restricted stock and granted RSUs shall lapse, the performance goals shall be deemed to have been achieved at target levels, and all other terms and conditions shall be deemed to have been satisfied. Payment shall be made in cash within 30 days following the effective date of the change in control.

The amounts reported are calculated based on the number of unvested shares held by each named executive officer multiplied by closing market price reported on Nasdaq of \$106.50 per share as of March 26, 2012.

- (b) In addition to the awards set forth in this table, upon termination of employment for any reason, our named executive officers are eligible for payment of vested RSUs at the time that they would have received payment absent termination.

## 2011 DIRECTOR COMPENSATION

In 2011, our non-employee directors received a quarterly retainer or a payment for each meeting attended, as well as reimbursement for travel related expenses. Ms. Flanagan and Mr. Vassalluzzo each received a quarterly retainer of \$12,500 and Mr. Tryforos received a payment of \$1,500 for each Board meeting attended and \$500 for each committee meeting attended. Non-employee directors are eligible to participate in our Incentive Plan. In September 2009, Ms. Flanagan and Mr. Vassalluzzo were each awarded 9,125 RSUs. The RSUs have the same terms as those granted to Mr. Roberts, as previously described, with the exception of the performance period and distribution date. The RSUs will vest based on adjusted economic profit results for 2009 through 2013 and any vested RSUs will be distributed on February 22, 2016. In 2011, under the formula described above, the compounded annual growth rate in adjusted economic profit was greater than 10%, so 100% of the 1,825 RSUs eligible to vest for both Ms. Flanagan and Mr. Vassalluzzo were vested upon the approval of the Compensation Committee in February 2012. As of the Record Date, 5,475 of the 9,125 RSUs awarded to each Ms. Flanagan and Mr. Vassalluzzo have vested. Directors who are our employees are not compensated for their services as a director. The following table sets forth certain information regarding the compensation earned during 2011 by each non-employee director who served on our Board in 2011.

| Name                     | Fees Earned or Paid in Cash (\$) | Stock Awards (\$) (a) | Total (\$) |
|--------------------------|----------------------------------|-----------------------|------------|
| Glenda J. Flanagan (b)   | \$ 50,000                        | \$ -                  | \$ 50,000  |
| Thomas N. Tryforos       | 20,500                           | -                     | 20,500     |
| Scott J. Vassalluzzo (c) | 50,000                           | -                     | 50,000     |

- (a) There were no stock awards granted during the fiscal year ended December 31, 2011.
- (b) As of December 31, 2011, Ms. Flanagan had 100,000 stock options outstanding and exercisable. Additionally, she had 3,650 vested RSUs and 5,475 unvested RSUs outstanding.
- (c) As of December 31, 2011, Mr. Vassalluzzo had 3,650 vested RSUs and 5,475 unvested RSUs outstanding.

## PROPOSAL #2 - APPROVAL OF AMENDED AND RESTATED INCENTIVE COMPENSATION PLAN

On March 26, 2012, our Board of Directors approved, subject to shareholder approval at the Annual Meeting, the Plan to increase the number of shares authorized for issuance under the Plan. The Board of Directors recommends a vote FOR the approval of the Plan. **Executed proxies will be voted FOR the approval of the Plan unless shareholders specify otherwise in their proxies.** The approval of the Plan requires a majority of the votes cast. Broker non-votes and abstentions will be treated as shares present for purposes of determining the presence of a quorum but will have no effect on the vote for the approval of the Plan. The following material changes to the Plan will take effect upon adoption of the revised Plan:

- The number of shares of Common Stock authorized for issuance under the Plan will be increased by 500,000 shares, which will increase the total number of shares of our Common Stock authorized for issuance pursuant to the Plan from 1,500,000 to 2,000,000;

The Plan is intended to attract, motivate and retain highly competent, effective and loyal employees, non-employee directors, and independent directors in order to create per share intrinsic value for shareholders. The purpose of amending and restating the Plan is to provide for additional shares of our Common Stock to be made available for the grants of restricted stock, restricted stock units, stock options, and other stock-based awards to our non-employee directors, key employees, and independent contractors who are selected by our Compensation Committee for participation in the Plan. The text of the proposed amendment to the Plan is set forth in Annex A to this Proxy Statement, and the description of the material amendments to the Plan set forth herein is qualified in its entirety by reference to the text thereof.

Our shareholders are being asked to approve the amendment in order to satisfy rules and regulations of Nasdaq relating to equity compensation and so that the awards may qualify as deductible performance-based compensation under Section 162(m) of the Code. If our stockholders do not approve the amendment to the Plan to increase the number of shares of our Common Stock authorized for issuance under the Plan and make the other changes described above, the current plan (prior to such proposed amendment) will remain in effect. To the extent that we can continue to grant awards under the Plan that qualify as performance-based compensation for individuals who are covered employees under Section 162(m), we will continue to do so. To the extent that we cannot, we will consider other ways to appropriately compensate these individuals.

*General.* The Plan provides for the grant of restricted stock, restricted stock units, nonqualified stock options, incentive stock options, and other stock-based and cash-based awards, at any time prior to March 26, 2022. A total of 2,000,000 shares of Common Stock have been set aside for issuance under the Plan (including the 1,500,000 shares of Common Stock previously approved under the Plan). The maximum number of shares that may be subject to stock-based grants under the Plan to any salaried employee during any one-year period is 500,000. Such amounts are subject to adjustment for stock splits and certain other corporate events. All employees (approximately 1,000 individuals), independent directors and three non-employee directors of the Company are currently eligible to receive grants under the Plan.

*Administration.* The Plan is administered by the Executive Compensation Committee of the Board (the “Compensation Committee”). Unless otherwise specified in the Plan, the Compensation Committee has the power to select the recipients of awards and has broad power to determine the terms of awards and to change such terms in various ways subsequent to grant, including among others, accelerating the exercisability of options or lapse of transfer restrictions, waiving or modifying performance conditions and transfer restrictions, and extending the post-termination exercise period of options. The Board is permitted by the Plan to amend or terminate the Plan at any time without shareholder approval, although requirements of the Nasdaq and applicable law restrict its ability to amend the Plan without shareholder approval when the amendment would increase the number of shares available under the Plan, change the provisions relating to eligibility for grants, or would otherwise be material.

The Compensation Committee may delegate to one or more officers or managers the authority to grant awards and to otherwise act with respect to awards made to participants who are not officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934.

*Restricted Stock Awards and Restricted Stock Units.* The Plan provides for the grant of restricted stock or restricted stock units. A restricted stock unit is the right to receive shares of restricted stock or an equivalent value in cash. Restricted stock and restricted stock units will initially be non-transferable but will become transferable upon fulfillment of conditions established by the Compensation Committee at the time of grant. An award of restricted stock or restricted stock units may also be subject to vesting or other restrictions, which may include performance goals. All of the terms relating to vesting or other restrictions, including performance goals, the length of any performance period, and the termination of the restriction period relating to the award of restricted stock or restricted stock units, will be determined by the Compensation Committee and set forth in the agreement relating to such award of restricted stock or restricted stock units. The holder of shares of restricted stock will have rights as a shareholder of the Company, including the right to vote and receive dividends with respect to such shares. The holder of shares of common stock subject to restricted stock units will have rights to receive dividends with respect to such shares.

*Other Cash-Based and Stock-Based Awards.* The Plan provides for other cash and stock-based awards, the form and terms of which will be as determined by the Compensation Committee, consistent with the purposes of the Plan. The vesting or payment of one of these awards may be made subject to the attainment of performance goals. The maximum amount that any participant may receive under a cash award for any annual performance period is \$2.5 million.

*Performance Goals.* In its discretion, the Compensation Committee may designate any grant of an award to any Plan participant as intended to satisfy the requirements of Section 162(m) of the Code. Restrictions on transfer relating to such awards would lapse upon completion of written objective performance goals using one or more of the following criteria: (i) economic profit; (ii) earnings per share; (iii) operating income; (iv) net income; (v) revenue; (vi) book value per share; (vii) return on capital; (viii) total loan originations; (ix) origination quality measures, such as charge-off rates, collection rates, dollars collected or similar measures; (x) loan performance measures, such as charge-off rates, collection rates, dollars collected; (xi) annual profitability; (xii) market capitalization; (xiii) business development goals; (xiv) customer satisfaction goals; (xv) employee satisfaction goals; (xvi) strategic goals; or any combination of, or increase in, the foregoing. The performance period may be a one, two, three, four, or five fiscal year period, determined by the Compensation Committee. Grants of awards that are intended to satisfy Section 162(m) of the Code will be subject to a formula to be approved by the Compensation Committee in accordance with Treasury regulations under Section 162(m) of the Code. A performance-based award shall not be paid until the Compensation Committee has certified in writing that the applicable performance goals have been attained.

*Options.* Options granted under the Plan may be either incentive stock options under Section 422 of the Code or nonqualified stock options. The terms of options granted under the Plan will be set forth in an agreement between the Company and the recipient and will be determined by the Compensation Committee, unless specified in the Plan. The exercise price will not be less than the fair market value of the shares on the date of grant. The fair market value per share of the Common Stock on March 26, 2012 was \$106.50. In the case of incentive stock options, the exercise price must be at least 110% of fair market value if the recipient is the holder of more than 10% of the Company's stock.

Options granted under the Plan become exercisable at such times as the Compensation Committee may determine and will expire not later than ten years after grant. The aggregate fair market value, determined on the grant date, of stock with respect to which incentive stock options may first become exercisable for a holder during any calendar year may not exceed \$100,000. Payment for shares to be acquired upon exercise of options granted under the Plan may be made in cash, by check or, at the discretion of the Compensation Committee, as set forth in the related option agreement, a holder may exercise an option through a cashless exercise procedure established by the Compensation Committee from time to time to pay the option exercise price and accompanying taxes. In addition, at the Compensation Committee's discretion, shares held by the holder may be tendered to the Company to pay the exercise price and tax withholding obligations, if any.

*Change in Control and Termination.* Unless otherwise provided in the applicable agreement, any portion of an option which is not yet exercisable will be forfeited if the holder's status as an eligible plan participant is terminated for any reason, and any portion of an award which has not yet vested will be forfeited if the holder's status as an eligible plan participant is terminated for any reason.

Unless the relevant agreement otherwise provides, the exercisable portion of an option will terminate at various times after the holder's status as an eligible plan participant terminates, based upon the reason for the termination. If status is terminated for cause, any unexercised portion of an option immediately terminates. If status terminates due to death or disability, then the option is exercisable until the earlier of the date the option would otherwise have terminated or the first anniversary of such death or disability. If the option is a nonqualified stock option and (1) status terminates due to retirement, or (2) the holder is terminated involuntarily (other than for cause or due to death or disability) within six months following a change in control, then the exercisable portion of the option may be exercised until the option would otherwise have expired in the absence of termination. If status terminates for any other reason, then the option terminates when the option otherwise expires or three months after termination of status, whichever is earlier. The Compensation Committee, however, has discretion under the Plan to accelerate the exercisability of options, extend the exercise period of an option (but not past the tenth anniversary of the grant date) and waive the restrictions or conditions applicable to awards, and such acceleration and waiver will occur automatically upon a "change in control" of the Company (as defined in the Plan).

*Income Tax Consequences.* Under the Code as now in effect, at the time an incentive stock option is granted or exercised, the holder will not be deemed to have received any income, and the Company will not be entitled to a deduction. The difference between the exercise price and the fair market value of the shares on the date of exercise is a tax preference item, which may subject the holder to the alternative minimum tax in the year of exercise. The holder of an incentive stock option generally will be accorded capital gain or loss treatment on the disposition of the stock acquired upon exercise, provided the disposition occurs more than two years after the date of grant and more than one year after exercise. A holder who disposes of shares acquired by exercise of an incentive stock option prior to the expiration of the foregoing holding periods realizes ordinary income upon the disposition equal to the difference between the exercise price and the lesser of the fair market value of the shares on the date of exercise or the disposition price. To the extent ordinary income is recognized by the holder, the Company is permitted to deduct a corresponding amount as compensation expense.

Upon the exercise of a nonqualified stock option, a holder will generally recognize ordinary income equal to the difference between the exercise price and the fair market value of the stock on the date of exercise. Upon withholding for income taxes, the Company will receive a corresponding compensation deduction. When the holder disposes of the shares acquired upon exercise of the option, any amount received in excess of the fair market value of the shares on the date of exercise will be treated as a capital gain.

A participant who receives an award of restricted stock generally recognizes ordinary income equal to the fair market value of the stock on the date the restrictions lapse. A participant who receives a grant of restricted stock units or cash generally recognizes ordinary income equal to the fair market value of the award on the date on which it is paid. Upon withholding for income taxes, the Company will receive a compensation tax deduction equal to the ordinary income realized by the participant.

The specific long-term equity awards granted to Mr. Roberts in March 2012 under the Plan are set forth in the table below. The grant of RSUs set forth below has been made subject to stockholder approval of the Plan and, therefore, if the amendment to the Plan to increase the number of shares of our Common Stock authorized for issuance under the Plan is not approved, Mr. Roberts will not be entitled to the award and the Compensation Committee will have to determine other ways to adequately compensate Mr. Roberts. Future equity awards under the Plan, as well as annual short-term incentives, are not determinable at this time.

#### NEW PLAN BENEFITS

##### Amended and Restated Incentive Compensation Plan

| <b>Name and Position</b>               | <b>Dollar Value</b> | <b>Number of Units/Shares</b> |
|--|---------------------|-------------------------------|
| Brett Roberts, Chief Executive Officer | \$ 33,015,000       | 310,000 RSUs                  |
| Brett Roberts, Chief Executive Officer | \$ 20,235,000       | 190,000 Restricted Shares     |

#### Securities Authorized for Issuance under Equity Compensation Plans

Our Incentive Compensation Plan, which was approved by shareholders on May 21, 2009, provides for the granting of restricted stock, restricted stock units, stock options, and other stock-based awards to non-employee directors, key employees, and independent contractors who are selected by our Compensation Committee for participation in the Plan. We also have two stock option plans pursuant to which we have granted stock options with time or performance-based vesting requirements to employees, officers, and directors. Our 1992 Stock Option Plan (the “1992 Plan”) was approved by shareholders in 1992 prior to our initial public offering and was terminated as to future grants on May 13, 2004, when shareholders approved the Incentive Plan. Our Director Stock Option Plan (the “Director Plan”) was approved by shareholders in 2002 and was terminated as to future grants on May 13, 2004, with shareholder approval of the Incentive Plan.

The following table sets forth, with respect to each of the equity compensation plans, (1) the number of shares of common stock to be issued upon the exercise of outstanding options or restricted stock units, (2) the weighted average exercise price of outstanding options, and (3) the number of shares remaining available for future issuance, as of December 31, 2011:

| Name  | Number of Shares to<br>be Issued Upon<br>Exercise of<br>Outstanding<br>Options, Warrants<br>and Rights | Weighted-Average<br>Exercise Price of<br>Outstanding Options | Number of Shares<br>Remaining Available<br>for Future Issuance<br>Under Equity<br>Compensation Plans |
|---|--|--|--|
| Equity compensation plans approved by shareholders: |  |  |  |
| 1992 Plan   | 5,905  | \$ 15.37   | -  |
| Director Plan                                       | 100,000  | 17.25  | -  |
| Incentive Plan                                      | 776,250  |  | 342,560  |
| Total   | 882,155  | \$ 17.14   | 342,560  |

### PROPOSAL #3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION

Pursuant to SEC rules, we are including this proposal to enable our shareholders to vote on an advisory basis on the compensation of our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement.

As described in detail under the Compensation Discussion and Analysis section of this Proxy Statement, our executive compensation programs are designed to align the interest of our executives with those of our shareholders by rewarding performance that meets or exceeds established goals. Our executive compensation program is designed to attract and retain our named executive officers and reward outstanding financial performance. We feel that our executive compensation programs achieve these goals as intended and the Board recommends a vote FOR the resolution set forth below indicating approval of the compensation of our named executive officers. **Executed proxies will be voted FOR the approval of the advisory vote on executive compensation unless shareholders specify otherwise in their proxies.** This proposal, commonly known as a “Say-on-Pay” proposal, provides shareholders the opportunity to indicate their support of the compensation we pay to our named executive officers through the following resolution:

*“Resolved, that the shareholders approve, on an advisory basis, the compensation of the named executive officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure contained in this Proxy Statement.”*

This vote on executive compensation is advisory and not binding. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

## CERTAIN RELATIONSHIPS AND TRANSACTIONS

In the normal course of our business, affiliated dealer-partners assign consumer loans to us under the portfolio and purchase programs. Dealer loans and purchased loans with affiliated dealer-partners are on the same terms as those with non-affiliated dealer-partners. Affiliated dealer-partners are comprised of dealer-partners owned or controlled by: (1) Mr. Foss; and (2) a member of Mr. Foss' immediate family.

Affiliated dealer loan balances were \$4.9 million and \$9.0 million as of December 31, 2011 and 2010, respectively. Affiliated dealer loan balances were 0.3% and 0.8% of total consolidated dealer loan balances as of December 31, 2011 and 2010, respectively. A summary of related party loan activity is as follows:

(In thousands)

|                                      | <b>For the Years Ended December 31,</b>           |                              |   |                              |   |                              |
|--------------------------------------|---|------------------------------|---|------------------------------|---|------------------------------|
|                                      | <b>2011</b>                                       |                              | <b>2010</b>                                       |                              | <b>2009</b>                                       |                              |
|                                      | <b>Affiliated<br/>dealer-partner<br/>activity</b> | <b>% of<br/>consolidated</b> | <b>Affiliated<br/>dealer-partner<br/>activity</b> | <b>% of<br/>consolidated</b> | <b>Affiliated<br/>dealer-partner<br/>activity</b> | <b>% of<br/>consolidated</b> |
| Dealer loan revenue                  | \$ 1,609  | 0.4 %                        | \$ 3,097  | 1.0 %                        | \$ 3,714  | 1.5 %                        |
| New consumer loan assignments (1)    | 1,267   | 0.1 %                        | 3,473   | 0.4 %                        | 5,690   | 0.9 %                        |
| Accelerated dealer holdback payments | 24  | 0.1 %                        | 285   | 0.9 %                        | 287   | 1.6 %                        |
| Dealer holdback payments             | 2,386   | 2.8 %                        | 1,788   | 4.0 %                        | 1,787   | 4.0 %                        |

(1) Represents advances paid to dealer-partners on consumer loans assigned under our portfolio program and one-time payments made to dealer-partners to purchase consumer loans assigned under our purchase program.

Mr. Foss has indirect control over entities that, in the past, offered secured lines of credit to automobile dealers, and has the right or obligation to reacquire these entities under certain circumstances until December 31, 2014 or the repayment of the related purchase money note.

In accordance with its written charter, the Audit Committee reviews and approves all of our transactions with directors and executive officers and with firms that employ directors, as well as any other material related party transactions. Any such transactions would be reviewed by the Audit Committee in light of whether it resulted in a conflict of interest for the individual and whether such transaction is fair to us and in our best interest. The terms of the transactions described above were previously approved by the Audit Committee; therefore, the Audit Committee does not intend to re-approve these transactions and relationships unless they no longer occur in the ordinary course of our business and the terms change such that the transactions no longer occur on the same terms as transactions with non-affiliated dealer-partners.

## INDEPENDENT ACCOUNTANTS

### PROPOSAL #4 - RATIFICATION OF GRANT THORNTON

The following sets forth information as to Grant Thornton, our independent registered public accounting firm. The Board recommends a vote FOR ratifying the selection of Grant Thornton as our independent registered public accounting firm for 2012. **Executed proxies will be voted FOR the ratification of Grant Thornton as our independent registered public accounting firm for 2012 unless shareholders specify otherwise in their proxies.** The ratification of the independent registered public accounting firm requires a majority of the votes cast. Abstentions will be treated as shares present for purposes of determining the presence of a quorum and, because the approval of the ratification of Grant Thornton as our independent registered public accounting firm for 2012 requires the affirmative vote of a majority of the votes cast at the Annual Meeting, abstentions will have the same effect as a vote against the ratification of Grant Thornton as our independent registered public accounting firm for 2012.

Although ratification is not required by our bylaws or otherwise, the Board is submitting the selection of Grant Thornton to our shareholders for ratification as a matter of good corporate practice. Should the shareholders fail to provide such ratification, the Audit Committee will reconsider its approval of Grant Thornton as the independent registered public accountants for 2012. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in our and our shareholders' best interests.

#### General

The Audit Committee has appointed Grant Thornton as our independent accountants to perform an integrated audit of our consolidated financial statements and the effectiveness of our internal controls over financial reporting for 2012. Grant Thornton has served as our independent accountants since their appointment by the Audit Committee on July 20, 2005, and acted as our independent accountant in 2011 to audit the financial statements included in our Annual Reports on Form 10-K for the year ended December 31, 2011. Representatives of Grant Thornton will be present at the meeting to respond to questions from the shareholders and will be given the opportunity to make a statement.

#### Change in Independent Accountants

There has been no change in our independent registered public accounting firm for any of the periods presented in this proxy statement.

#### Fees Paid to Independent Accountants

The following table provides a summary of the aggregate fees billed by Grant Thornton for 2011 and 2010 (in thousands):

| Description            | 2011   | 2010   |
|------------------------|--------|--------|
| Audit fees (a)         | \$ 504 | \$ 520 |
| Audit-related fees (b) | 138    | 75     |
| Tax fees               | -      | -      |
| All other fees         | -      | -      |
| Total fees             | \$ 642 | \$ 595 |

- (a) Includes fees for the audit of our annual consolidated financial statements, the audit of the effectiveness of our internal controls over financial reporting, and the review of our interim consolidated financial statements.
- (b) Includes fees for agreed-upon procedures for our debt and the audit of our employee benefit plan.

The Audit Committee has considered whether the provision of these services is compatible with maintaining the independence of Grant Thornton and satisfied itself as to the maintenance of the auditors' independence.

## **Policy for Pre-Approval of Audit and Non-Audit Services**

The Audit Committee's policy is to pre-approve all audit services and all non-audit services that our independent accountants are permitted to perform for us under applicable federal securities regulations. The Audit Committee's policy utilizes an annual review and general pre-approval of certain categories of specified services that may be provided by the independent accountants, up to predetermined fee levels. Any proposed services not qualifying as a pre-approved specified service, and pre-approved services exceeding the predetermined fee levels, require further specific pre-approval by the Audit Committee. The Audit Committee has delegated to the Chairman of the Audit Committee the authority to pre-approve audit and non-audit services proposed to be performed by the independent accountants. All services provided by our independent auditors were pre-approved by the Audit Committee. The policy has not been waived in any instance.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received and written representations from certain reporting persons, we believe that all filing requirements applicable to our officers, directors, and greater than 10% beneficial owners were complied with for the year ended December 31, 2011 except that Mr. Neary was late in reporting one Form 4 related to a sale of shares.

## **OTHER BUSINESS MATTERS**

The only matters that management intends to present to the meeting are set forth in the Notice of Annual Meeting. Management knows of no other matters which will be brought before the meeting by any other person. However, if any other matters are properly brought before the meeting, the persons named on the form of proxy intend to vote on such matters in accordance with their best judgment on such matters.

## SHAREHOLDER PROPOSALS AND NOMINEES FOR 2013 ANNUAL MEETING

### Shareholder Proposals

Proposals by shareholders which are intended to be presented at the 2013 Annual Meeting of Shareholders must be submitted to our Corporate Secretary no later than December 6, 2012 in order to be considered for inclusion in our 2013 proxy materials. We expect the persons named as proxies for the 2013 Annual Meeting of Shareholders to use their discretionary voting authority, to the extent permitted by law, with respect to any proposal presented at that meeting by a shareholder who does not provide us with written notice of such proposal on or before February 19, 2013.

### Shareholder Nominees

Shareholders desiring to recommend candidates for consideration and evaluation by the Nominating Committee for the 2013 Annual Meeting should submit such recommendations to our Chief Legal Officer and Corporate Secretary not later than October 26, 2012. The recommendation should be accompanied by (i) the name and address of the shareholder recommending the candidate, (ii) evidence of the shareholder's ownership of Company shares along with an undertaking that the shareholder will continue to own such shares through the date of the Annual Meeting, (iii) all information regarding the candidate that would be required to be disclosed in our Annual Meeting Proxy Statement if the candidate is nominated by the Board, and (iv) the candidate's consent to serve as a director if elected. Our Chief Legal Officer and Corporate Secretary will forward any recommendations to the Nominating Committee. The Nominating Committee may seek additional biographical and background information from any candidate that must be received on a timely basis to be considered by the Nominating Committee.

### ANNUAL REPORT ON FORM 10-K

**A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, required to be filed with the SEC, without exhibits, will be furnished without charge to any shareholder of record or beneficial owner of common shares upon written request to our Corporate Secretary at the address on the notice of Annual Meeting accompanying this Proxy Statement.**

By Order of the Board of Directors,  
Charles A. Pearce  
Chief Legal Officer and Corporate Secretary

April 5, 2012

## ANNEX A

### CREDIT ACCEPTANCE CORPORATION AMENDED AND RESTATED INCENTIVE COMPENSATION PLAN As Amended, March 26, 2012

#### I. GENERAL PROVISIONS

1.01 *Purpose*. The Plan, which was adopted by the Company's Board on the Effective Date, is intended to attract and retain highly competent, effective and loyal Employees, Non-Employee Directors, and Independent Contractors in order to create per share intrinsic value for shareholders.

1.02 *Participants*. Participants in the Plan shall be such Employees (including Employees who are directors), Non-Employee Directors, and Independent Contractors of the Company or of an Affiliate as the Committee may select from time to time. In addition, the Committee may grant an Award to an individual upon the condition that the individual become an Employee, Non-Employee Director, or Independent Contractor of the Company or of an Affiliate, provided that the Award shall be deemed to be granted only on the date that the individual becomes an Employee, Non-Employee Director, or Independent Contractor.

1.03 *Definitions*. As used in this Plan, the following terms have the meaning described below:

(a) "*Affiliate*" or "*Affiliates*" means a corporation or other entity that is affiliated with the Company and includes any parent or subsidiary of the Company, as defined in Code Sections 424(e) and (f), respectively. Notwithstanding the above, for purposes of determining Participants eligible to receive grants of Options (or stock appreciation rights), Affiliate shall mean any corporation, partnership, limited liability company or other entity (other than the employer entity) in an unbroken chain of entities beginning with the employer entity if each of the entities other than the last entity in the unbroken chain either (x) owns stock possessing 50% or more of the total combined voting power of, or (y) owns stock possessing 50% or more of the total combined value of all classes of stock of, in each case, one of the other entities in such chain. An entity shall be deemed an Affiliate of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

(b) "*Agreement*" means the written agreement that sets forth the terms of a Participant's Award.

(c) "*Award*" means a grant of an Option, Restricted Stock Award, Restricted Stock Unit, Other Cash Based Award, or Other Stock Based Award.

(d) "*Board*" means the Board of Directors of the Company.

(e) "*Business Combination*" means (1) any reorganization, merger, share exchange or consolidation of the Company, or (2) any sale, lease, exchange or other transfer of all or substantially all of the assets of the Company.

(f) "*Cause*" means (1) with respect to any Participant who is a party to a written employment agreement with the Company or any Affiliate, "Cause" as defined in such employment agreement, or (2) with respect to any Participant who is not a party to a written employment agreement with the Company or any Affiliate, personal dishonesty, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or receipt of a final cease-and-desist order. In determining willfulness, no act or failure to act on a Participant's part shall be considered "willful" unless done or omitted to be done by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interests of the Company.

(g) "*Change in Control*" means the occurrence of any of the following events:

(1) If the Incumbent Directors cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be considered to be an Incumbent Director; provided further, that any such individual whose initial assumption of

office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies by or on behalf of a person other than the Board shall not be considered an Incumbent Director.

(2) If there shall be consummated a Business Combination, other than (A) a merger or consolidation effected to implement a reorganization of the Company's ownership wherein the Company shall become a wholly-owned subsidiary of another corporation and the shareholders of the Company shall become shareholders of such other corporation without any material change in each shareholder's proportionate ownership of such other corporation from that owned in the Company prior to such merger or consolidation; and (B) a Business Combination following which: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Common Stock and outstanding Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 65% of, respectively, the then outstanding shares of Common Stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Surviving Corporation in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding Common Stock and Voting Stock, as the case may be; (ii) no person or entity beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the Surviving Corporation or the combined voting power of the then outstanding voting securities of the Surviving Corporation (excluding any person or entity who beneficially owned 20% or more of the outstanding Common Stock or Voting Stock prior to such Business Combination, the Surviving Corporation and any employee benefit plan (or related trust) of the Company or the Surviving Corporation); and (iii) at least a majority of the members of the board of directors of the Surviving Corporation were Incumbent Directors immediately prior to the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

(3) Approval by the shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the above, for each award that constitutes deferred compensation under Section 409A of the Code, a Change in Control shall be deemed to have occurred under this Plan with respect to such award only if a change in the ownership or effective control of the Company or a change in ownership of a substantial portion of the assets of the Company shall also be deemed to have occurred under Section 409A of the Code.

(h) "*Code*" means the Internal Revenue Code of 1986, as amended.

(i) "*Code Section 162(m) Awards*" is defined in Article IV of the Plan.

(j) "*Committee*" means the Board acting as a whole, or a committee of two or more "non-employee directors" (as defined in Rule 16b-3 under the Exchange Act) who also constitute "outside directors" (as defined under Code Section 162(m) if applicable at the time) if designated by the Board to administer the Plan. The fact that a Committee member shall fail to qualify under Rule 16b-3 under the Exchange Act or Code Section 162(m) shall not invalidate any grant or award made by the Committee, if the grant or award is otherwise validly granted under the Plan.

(k) "*Common Stock*" means shares of the Company's authorized and unissued common stock, or reacquired shares of such common stock.

(l) "*Company*" means Credit Acceptance Corporation and any successor thereto.

(m) "*Disability*" means disability as defined in Treasury Regulation 1.409A-3(i)(4).

(n) "*Effective Date*" means March 26, 2012, the date on which the Board adopted the Plan, as amended and restated.

(o) "*Employee*" means an employee of the Company or Affiliate, who has an "employment relationship" with the Company or an Affiliate, as defined in Treasury Regulation 1.421-7(h); and the term "employment" means employment with the Company, or an Affiliate of the Company.

(p) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time and any successor thereto.

(q) "*Fair Market Value*" means, as of the date of determination, (A) the closing price per share of Common Stock as quoted on the national securities exchange or such other market on which such stock is principally traded, as determined by the Committee, or (B) if the shares of Common Stock are not listed or admitted to trading on any

such exchange or market, the closing selling price as reported by an over-the-counter market; provided that if no sales occur as of the date of determination, then the date of determination shall be the last day on which a sale was reported; further provided that if the shares of Common Stock are not then listed on a national securities exchange or market or traded in an over-the-counter market, such value shall be determined by the Committee in good faith. In no event shall the Fair Market Value of any share of Common Stock be less than the par value per share of Common Stock.

(r) “*Grant Date*” means the date on which the Committee authorizes the grant of an individual Award, or such later date as shall be designated by the Committee.

(s) “*Incentive Stock Option*” means an Option that is intended to meet the requirements of Section 422 of the Code and is designated as such in the Agreement evidencing the grant.

(t) “*Incumbent Directors*” means the members of the Board on the Effective Date.

(u) “*Independent Contractor*” means any individual who provides services to the Company or an Affiliate who is not an Employee or a Non-Employee Director.

(v) “*Non-Employee Director*” means a director of the Company or an Affiliate who is not an Employee.

(w) “*Nonqualified Stock Option*” means an Option that is not an Incentive Stock Option.

(x) “*Option*” means either an Incentive Stock Option or a Nonqualified Stock Option.

(y) Other Cash Based Award means an Award granted pursuant to Article III.

(z) Other Stock Based Award means an Award granted pursuant to Article III.

(aa) “*Participant*” means the individuals described in Section 1.02.

(bb) “*Plan*” means the Credit Acceptance Corporation Incentive Compensation Plan, the terms of which are set forth herein, as amended from time to time.

(cc) “*Restricted Period*” means the period of time during which Common Stock subject to an Award is subject to restrictions that make it subject to forfeiture and/or nontransferable.

(dd) “*Restricted Stock Award*” means an award of Common Stock that is subject to a Restricted Period, granted pursuant to Article III.

(ee) “*Restricted Stock Unit*” means a right granted pursuant to Article III to receive Common Stock or an equivalent value in cash, in each case subject to the conditions set forth in the Plan and the related Agreement.

(ff) “*Retirement*” means a Participant’s voluntary cessation of employment, or voluntary cessation of services as a Non-Employee Director, following the Participant’s 65th birthday.

(gg) “*Surviving Corporation*” means the corporation resulting from a Business Combination referred to in Section 1.03(g)(2)(B) of the Plan, including, without limitation, the surviving corporation in a merger involving the Company and a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries.

(hh) “*Voting Stock*” means the securities ordinarily having the right to vote in the election of directors to the Board.

#### 1.04 Administration.

(a) The Plan shall be administered by the Committee, in accordance with Rule 16b-3 under the Exchange Act and Code Section 162(m), if applicable. The Committee, at any time and from time to time, subject to any express limitations set forth herein, may grant Awards to such Participants and for such number of shares of Common Stock as it shall designate. The Committee shall interpret the Plan, prescribe, amend, and rescind rules and regulations relating to the Plan, and make all other determinations necessary or advisable for its administration. The decision of the Committee on any question concerning the interpretation of the Plan or its administration with respect to any Award granted under the Plan shall be final and binding upon all Participants. Notwithstanding the foregoing, the Committee shall not waive any restrictions on a Code Section 162(m) Performance Award, Restricted Stock Award or Restricted Stock Unit.

(b) To the extent permitted by applicable law, the Committee may delegate to one or more officers or managers of the Company or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights with respect to,

alter, discontinue or terminate Awards held by Participants who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act.

1.05 Limitations on Awards. A maximum of two million (2,000,000) shares may be issued under the Plan (all of which may be granted as Incentive Stock Options). The maximum number of shares of Common Stock that may be subject to Awards granted under the Plan to any Participant during any one-year period shall not exceed 500,000 shares. Shares subject to any portion of a terminated, forfeited, cancelled or expired Award granted hereunder may again be subject to grants and awards under the Plan as of the date of such termination, forfeiture, cancellation or expiration. All amounts in this Section 1.05 shall be adjusted, as applicable, in accordance with Article VI.

## II. STOCK OPTIONS

2.01 Grant of Options. The Committee may grant Options to Participants and, to the extent Options are granted, shall determine the general terms and conditions of exercise, including any applicable vesting or performance requirements, which shall be set forth in a Participant's Agreement. The Committee may designate any Option granted as either an Incentive Stock Option or a Nonqualified Stock Option, or the Committee may designate a portion of an Option as an Incentive Stock Option and the remainder as a Nonqualified Stock Option. An Option shall expire no later than the close of business on the tenth anniversary of the Grant Date. Any Participant may hold more than one Award under the Plan and any other plan of the Company or Affiliate.

2.02 Incentive Stock Options. Any Option intended to constitute an Incentive Stock Option shall comply with the requirements of this Section 2.02 and shall only be granted to an Employee. No Incentive Stock Option shall be granted with an exercise price below its Fair Market Value on the Grant Date. An Incentive Stock Option shall not be granted to any Participant who owns (within the meaning of Code Section 424(d)) stock of the Company or any Affiliate possessing more than 10% of the total combined voting power of all classes of stock of the Company or a Affiliate unless, at the Grant Date, the exercise price for the Option is at least 110% of the Fair Market Value of the shares subject to the Option and the Option, by its terms, is not exercisable more than 5 years after the Grant Date. The aggregate Fair Market Value of the underlying Common Stock (determined at the Grant Date) as to which Incentive Stock Options granted under the Plan (including a plan of an Affiliate) may first be exercised by a Participant in any one calendar year shall not exceed \$100,000. To the extent that an Option intended to constitute an Incentive Stock Option shall violate the foregoing \$100,000 limitation (or any other limitation set forth in Code Section 422), the portion of the Option that exceeds the \$100,000 limitation (or fails any other Code Section 422 requirement) shall be deemed to constitute a Nonqualified Stock Option.

2.03 Option Price. The Committee shall determine the per share exercise price for each Option granted under the Plan, but no Option shall be granted with an exercise price below 100% of the Fair Market Value of Common Stock on the Grant Date.

2.04 Payment for Option Shares. The purchase price for shares of Common Stock to be acquired upon exercise of an Option granted hereunder shall be paid in full in cash or by personal check, bank draft or money order at the time of exercise; provided, however, that in lieu of such form of payment, the Committee may permit a Participant to pay such purchase price in whole or in part by tendering shares of Common Stock which are freely owned and held by the Participant independent of any restrictions, hypothecations or other encumbrances, duly endorsed for transfer (or with duly executed stock powers attached), or in any combination of the above. If shares of Common Stock are tendered in payment of all or part of the exercise price, they shall be valued for such purpose at their Fair Market Value on the date of exercise. At the discretion of the Committee, as set forth in a Participant's Option Agreement, the purchase price may be paid using a cashless exercise procedure established by the Committee from time to time.

2.05 Acceleration. The Committee may, in its discretion, accelerate a Participant's right to exercise an Option.

## III. RESTRICTED STOCK AWARDS AND RESTRICTED STOCK UNITS; OTHER CASH BASED AND OTHER STOCK BASED AWARDS

3.01 Restricted Stock and Restricted Stock Units; Other Cash Based and Stock Based Awards. The Committee shall have the authority to grant Restricted Stock Awards and Restricted Stock Units to such Participants and for such number of shares of Common Stock as it shall designate. Such Restricted Stock Awards and Restricted Stock Units shall be evidenced by an Agreement that shall specify the terms thereof, including the Restricted Period, the

number of shares of Common Stock subject to the Restricted Stock Award or Restricted Stock Unit, and such other provisions, which may include, among other things, vesting and performance goals, as the Committee shall determine. The Committee may, in its discretion, accelerate the lapse of restrictions applicable to Restricted Stock Awards or Restricted Stock Units.

*3.02 Other Cash Based and Stock Based Awards.* The Committee is authorized to grant awards to Participants in the form of Other Cash Based Awards or Other Stock Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. Such Awards shall be evidenced by an Agreement that shall specify the terms thereof, including the Restricted Period, the number of shares of Common Stock subject to the Award, and such other provisions, which may include, among other things, vesting and performance goals, as the Committee shall determine. The maximum amount that any Participant may receive with respect to Other Cash Based Awards which are intended to be Code Section 162(m) Awards (as defined below) for any annual performance period is \$2,500,000 (and for any other performance period other than one year, such amount multiplied by a fraction, the numerator of which is the number of months in the performance period and the denominator of which is twelve). The Committee may, in its discretion, accelerate the lapse of restrictions applicable to Other Cash Based Awards or Other Stock Based Awards.

#### **IV. AWARDS GRANTED UNDER CODE SECTION 162(m)**

*4.01 Generally.* The Committee, at its discretion, may designate certain Awards as granted pursuant to Code Section 162(m) (“Code Section 162(m) Awards”). Such Awards must comply with additional requirements set forth in this Article V, which override any other provision set forth in this Plan:

*4.02 Code Section 162(m) Grants.* Each Code Section 162(m) Award shall be based upon pre-established, objective performance goals that are intended to satisfy the performance-based compensation requirements of Code Section 162(m) and the regulations promulgated thereunder. Further, at the discretion of the Committee, a Code Section 162(m) Award also may be subject to goals and restrictions in addition to the performance requirements.

*4.03 Performance Goals.* Each Code Section 162(m) Award shall be based upon the attainment of specified levels of Company or Affiliate performance during a specified performance period, as measured by any or all of the following: (i) economic profit; (ii) earnings per share; (iii) operating income; (iv) net income; (v) revenue; (vi) book value per share, (vii) return on capital; (viii) total loan originations; (ix) origination quality measures such as charge-off rates, collection rates, dollars collected or similar measures; (x) loan performance measures such as charge-off rates, collection rates, dollars collected; (xi) annual profitability; (xii) market capitalization (xiii) business development goals; (xiv) customer satisfaction goals; (xv) employee satisfaction goals; (xvi) strategic goals; and (xvii) any combination of any of the foregoing, or a specified increase or decrease of one or more of the foregoing over a specified period. The performance goals may be based upon the attainment of specified levels of performance under one or more of the measures described above relative to the performance of other entities. The Committee shall make equitable adjustments to the performance goals (a) in recognition of unusual or non-recurring events affecting the Company or any Subsidiary of the Company or the financial statements of the Company or any Subsidiary of the Company, (b) in recognition of changes in leverage of the Company or any Subsidiary of the Company affecting the Company or any Subsidiary of the Company or the financial statements of the Company or any Subsidiary of the Company, (c) in response to changes in applicable laws or regulations, including changes in generally accepted accounting principles or practices and changes in tax laws or rates, or (d) to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, related to the acquisition or disposal of a segment of a business, or related to a change or adjustment in accounting principles as appropriate to accurately reflect performance during a specified period.

*4.04 Committee Determinations.* For each designated performance period, the Committee shall (i) select those Employees who shall be eligible to receive a Code Section 162(m) Award; (ii) determine the performance period, which may be a one, two, three, four or five fiscal year period; (iii) determine the target levels of Company or Affiliate performance; and (iv) determine the number of shares or compensation subject to a Code Section 162(m) Award to be paid to each selected Employee. The Committee shall make the foregoing determinations prior to the commencement of services to which a Code Section 162(m) Award relates (or within the permissible time period established under Code Section 162(m)) and while the outcome of the performance goals and targets is uncertain. Code Section 162(m) Awards earned hereunder may be decreased, but not increased, in the sole discretion of the Committee based on such factors as it deems appropriate.

4.05 Committee Certification. For each performance period, the Committee shall certify, in writing: (i) if the Company or its Affiliate(s) (as applicable) has attained the performance targets; and (ii) the cash or number of shares (or combination thereof) pursuant to the Code Section 162(m) Award that shall be paid to each selected Employee or that become freely transferable upon attainment of the performance targets and/or other restrictions. The Committee may not waive all or part of the conditions, goals and restrictions applicable to the receipt of full or partial payment of a Code Section 162(m) Award unless doing so would not cause such Award to fail to be deductible as performance-based compensation under Code Section 162(m). No part of a Code Section 162(m) Award shall be paid or become transferable until the Committee certifies in writing that the performance goals and restrictions have been satisfied.

## V. TERMINATION OF EMPLOYMENT AND SERVICES

### 5.01. Options.

(a) Unless otherwise provided in the applicable Agreement, if, prior to the date that an Option first becomes exercisable, a Participant's status as an Employee, Non-Employee Director, or Independent Contractor is terminated for any reason, the Participant's right to exercise the Option shall terminate and all rights thereunder shall cease as of the close of business on the date of such termination.

(b) For any Nonqualified Stock Option unless otherwise provided in the applicable Agreement and for any Incentive Stock Option, if, on or after the date that the Option first becomes exercisable, a Participant's status as an Employee, Non-Employee Director, or Independent Contractor is terminated (1) for Cause, any unexercised portion of the Option (whether then exercisable or not) shall, as of the time of the Cause determination, immediately terminate, (2) due to death or Disability, then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable only until the earlier of the one year anniversary of such termination or the "expiration date" set forth in the applicable Agreement, (3) for any other reason (except as provided in the next sentence), then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable only until the earlier of the three month anniversary of such termination or the "expiration date" set forth in the applicable Agreement. For any Nonqualified Stock Option, unless otherwise provided in the applicable Agreement, if, on or after the date that the Option first becomes exercisable, a Participant's status as an Employee or Non-Employee Director is terminated due to Retirement, or is terminated involuntarily (other than for Cause or due to death or Disability) within 6 months following a Change in Control, then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable until the "expiration date" set forth in the applicable Agreement. The Committee, at its discretion, may designate in the applicable Agreement a different post-termination period for exercise of a Nonqualified Stock Option and may extend the exercise period of any Option, but in no event may the post-termination exercise period exceed the tenth anniversary of the Grant Date; it being understood that the extension of the exercise term for an Incentive Stock Option may cause such Option to become a Nonqualified Stock Option.

(c) Shares subject to Options that are not exercised within the time allotted for exercise shall expire and be forfeited by the Participant as of the close of business on the date they are no longer exercisable.

5.02 Restricted Stock Awards and Restricted Stock Units; Other Stock-Based and Cash-Based Awards. Unless otherwise provided in the applicable Agreement, if the status as an Employee, Non-Employee Director, or Independent Contractor of a Participant holding a Restricted Stock Award, Restricted Stock Unit or Other Cash-Based or Stock-Based Award terminates for any reason prior to the lapse of the Restricted Period or prior to satisfaction of the performance requirements of such Award, any shares of Common Stock subject to such Award as to which the Restricted Period has not yet lapsed or been waived or as to which such performance requirements have not been satisfied shall be forfeited by the Participant; provided, however, that the Committee, in its sole discretion, may waive or change the remaining restrictions or add additional restrictions with respect to any Restricted Stock Award or Restricted Stock Unit that would otherwise be forfeited, as it deems appropriate and to the extent such actions do not violate the requirements of Section 409A of the Code.

5.03 Other Provisions. In each case unless otherwise required by Section 409A of the Code to avoid the imposition of additional taxes or penalties, (i) neither the transfer of a Participant from one corporation or division to another corporation or division among the Company and any of its Affiliates nor a leave of absence under the Company's leave policy nor (ii) the change in Participant's classification as either an Employee, Non-Employee Director, or Independent Contractor shall be deemed to constitute a termination of status as a Participant for purposes of the Plan.

## VI. ADJUSTMENTS AND CHANGE IN CONTROL

### 6.01 Adjustments.

(a) If the Committee shall determine that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other corporate transaction or event affects the Common Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (1) the number and type of shares of Common Stock which thereafter may be made the subject of Awards, (2) the number and type of shares of Common Stock subject to outstanding Awards, and (3) the exercise price with respect to any Option, or, if deemed appropriate, cancel outstanding Options and make provision for a cash payment to the holders thereof; provided, however, in each case, that with respect to Incentive Stock Options any such adjustment shall be made in accordance with Code Section 424 or any successor provision thereto.

(b) The foregoing adjustments shall be made by the Committee or, if such adjustment is required by the Board, then by the Board at the recommendation of the Committee. Any such adjustment shall provide for the elimination of any fractional share that might otherwise become subject to an Award.

6.02 Change in Control. Upon the occurrence of a Change in Control, unless otherwise specified by the Committee in the recipient's Agreement, (a) any Option granted hereunder immediately shall become exercisable in full, regardless of any installment provision applicable to such Option; (b) any remaining Restricted Period on any shares of Common Stock subject to a Restricted Stock Award, Restricted Stock Unit and Other Cash-Based or Stock Based Award granted hereunder immediately shall lapse; and (c) the performance requirements for any Award granted hereunder shall be deemed to have been satisfied in full. Notwithstanding the above, with respect to each award that constitutes deferred compensation under Section 409A of the Code, if a Change in Control would have occurred under the Plan except that such Change in Control does not constitute a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company under Section 409A of the Code, then each such award shall become vested and non-forfeitable on the Change in Control; provided that the award shall not be settled until such time that the award would have been settled in accordance with its terms absent the Change in Control or such earlier time that complies with Section 409A of the Code.

## VII. MISCELLANEOUS

7.01 Partial Exercise/Fractional Shares. The Committee may permit, and shall establish procedures for, the partial exercise of Options granted under the Plan. No fractional shares shall be issued in connection with the exercise or payment of a grant or award under the Plan; instead, the Fair Market Value of the fractional shares shall be paid in cash, or at the discretion of the Committee, the number of shares shall be rounded down to the nearest whole number of shares, and any fractional shares shall be disregarded.

7.02 Rule 16b-3 Requirements. Notwithstanding any other provision of the Plan, the Committee may impose such conditions on an Award (including, without limitation, the right of the Committee to limit the time of exercise of an Option to specified periods) as may be required to satisfy the requirements of Rule 16b-3 of the Exchange Act (as such rule may be in effect at such time).

7.03 Rights Prior to Issuance of Shares; Voting and Dividends. No Participant shall have any rights as a shareholder with respect to shares covered by an Award until the issuance of such shares as reflected on the books and records of the Company or its transfer agent. No adjustment shall be made for dividends or other rights with respect to such shares for which the record date is prior to the date the shares are issued. Notwithstanding the above, during the Restricted Period, Participants shall be considered record owners of any shares of Common Stock subject to any Restricted Stock Award held by them for purposes of determining who is entitled to vote such shares. In addition, unless otherwise determined by the Committee in the applicable Agreement, Participants who receive a Restricted Stock Award, Restricted Stock Unit, or Other-Stock Based Award shall be entitled to receive dividends or dividend equivalents, as applicable, paid on Common Stock subject to the Award. Such dividend or dividend equivalents shall be subject to the same restrictions as the Award with respect to which they were paid and, unless

otherwise determined by the Committee in the applicable Agreement, will be settled in cash or Common Stock, in the discretion of the Committee, at the time that the underlying Award is settled.

**7.04 Non-Assignability.** Unless otherwise determined by the Committee, neither an Award, nor the shares of Common Stock subject to an Award, may be transferred, pledged, assigned, or otherwise alienated or hypothecated by a Participant except by will or the laws of descent and distribution. No transfer of an Award shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will or such evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee of the terms and conditions of the Award. Prior to the end of the Restricted Period, all rights with respect to the Common Stock subject to an Award granted to a Participant shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative. During the lifetime of a Participant, an Incentive Stock Option shall be exercised only by the Participant.

**7.05 Securities Laws.**

(a) Anything to the contrary herein notwithstanding, the Company's obligation to sell and deliver Common Stock pursuant to the exercise of an Award is subject to such compliance with federal and state laws, rules and regulations applying to the authorization, issuance or sale of securities as the Company deems necessary or advisable. The Company shall not be required to sell or deliver Common Stock unless and until it receives satisfactory assurance that the issuance or transfer of such shares shall not violate any of the provisions of the Securities Act of 1933, the Exchange Act, any other applicable federal laws, or the rules and regulations of the Securities and Exchange Commission promulgated thereunder or those of any stock exchange or stock market on which the Common Stock may be listed or traded, the provisions of any state laws governing the sale of securities, or that there has been compliance with the provisions of such acts, rules, regulations and laws.

(b) The Committee may impose such restrictions on any shares of Common Stock subject to or underlying an Award as it may deem advisable, including, without limitation, restrictions (i) under applicable federal securities laws, (ii) under the requirements of any stock exchange or other recognized trading market upon which such shares of Common Stock are then listed or traded, or (iii) under any blue sky or state securities laws applicable to such shares. No shares shall be issued until counsel for the Company has determined that the Company has complied with all requirements under appropriate securities laws.

**7.06 Certificate Legend.** Awards granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Awards are registered in the name of the Grantee, such certificates shall bear the following legend:

The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer set forth in the Credit Acceptance Corporation Incentive Compensation Plan (the "Plan"), rules and administrative guidelines adopted pursuant to such Plan and an Agreement dated , . A copy of the Plan, such rules and such Agreement may be obtained from the Secretary of the Company.

Except as otherwise provided under the Plan, if the Restricted Period has elapsed or been waived by the Committee with respect to all or a portion of the Award represented by a certificate, the holder thereof shall be entitled to have the legend removed from such stock certificate with respect to the shares as to which the Restricted Period has elapsed. Any certificate evidencing the remaining shares shall continue to bear the legend. The Company shall have the right to retain any certificate representing shares of Common Stock subject to an Award until such time as all conditions and/or restrictions applicable to such shares of Common Stock have been satisfied.

**7.07 Withholding and Taxes.** The Company shall have the right to withhold from a Participant's compensation or require a Participant to remit sufficient funds to satisfy applicable withholding for income and employment taxes that become due upon the grant, exercise, vesting, or payment of an Award, as applicable. A Participant may use the a cashless exercise procedure established by the Committee from time to time or may tender previously acquired shares of Common Stock to satisfy the withholding obligation in whole or in part, such shares being valued for such purpose at Fair Market Value; provided that the Company shall not withhold from exercise more shares than are necessary to satisfy the established requirements of federal, state and local tax withholding obligations.

**7.08 Termination and Amendment.**

(a) The Board may terminate the Plan, or the granting of Awards under the Plan, at any time. No new grants or awards of Incentive Stock Options shall be made under the Plan after the tenth anniversary of the Effective Date.

(b) The Board may amend or modify the Plan at any time and from time to time.

(c) No amendment, modification or termination of the Plan shall adversely affect any Award previously granted under the Plan in any material way without the consent of the Participant holding the Award.

7.09 Effect on Employment or Services. Neither the adoption of the Plan nor the granting of any Award pursuant to the Plan shall be deemed to create any right in any individual to be retained or continued in the employment or services of the Company or an Affiliate.

7.10 Use of Proceeds. The proceeds received from the sale of Common Stock pursuant to the Plan shall be used for general corporate purposes of the Company.

7.11 Shareholder Approval of Plan. The Plan shall be subject to the approval of the holders of at least a majority of the votes cast on the matter at a meeting of shareholders of the Company held within 12 months after adoption of the Plan by the Board. No Award granted under the Plan may be exercised or paid out in whole or in part unless the Plan has been approved by the shareholders as provided herein. If not approved by shareholders within 12 months after approval by the Board, the Plan and any Awards granted under the Plan shall be rescinded.

7.12 Governing Law. The Plan and all actions taken under the Plan shall be governed and construed in accordance with Michigan law.

7.13 Code Section 409A. It is intended that the payments and benefits under this Plan comply with, or as applicable, constitute a short-term deferral or otherwise be exempt from, the provisions of Section 409A of the Code. The Plan will be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Plan to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A of the Code). Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, a Participant shall not be considered to have incurred a termination of employment or service for purposes of this Plan and no payments shall be due to Participant under this Plan providing for payment of amounts on termination of employment or service until the Participant would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Plan during the six-month period immediately following Participant's termination of employment shall instead be paid on the first business day after the date that is six months following Participant's termination of employment (or upon Participant's death, if earlier). In addition, for purposes of this Plan, each amount to be paid or benefit to be provided to the Participant pursuant to the Plan, which constitute deferred compensation subject to Section 409A of the Code, shall be construed as a separate identified payment for purposes of Section 409A of the Code. Notwithstanding any provision of the Plan or any Agreement to the contrary, in the event that the Committee determines that any award may or does not comply with Section 409A of the Code, the Company may adopt such amendments to the Plan and the affected award (without Participant consent) or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (i) exempt the Plan and any award from the application of Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to award, or (ii) comply with the requirements of Section 409A of the Code.

**THIS PLAN** is hereby executed as of March 26, 2012 in accordance with the Board resolutions adopted on such date.

**CREDIT ACCEPTANCE CORPORATION**

By: /s/ Charles A. Pearce

Charles A. Pearce

Chief Legal Officer and Corporate Secretary