CREDIT ACCEPTANCE CORP
Form DEF 14A
April 04, 2013

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the registrant þ
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Check the appropriate box:
o Preliminary proxy statement.
o Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2)).
þ Definitive proxy statement.
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CREDIT ACCEPTANCE CORPORATION

(Name of Registrant as Specified in Its Charter)

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(1)	Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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(4) Date Filed:

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

to be held May 16, 2013

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 16, 2013, at 8:00 a.m., local time, for the following purposes:

(a) Election of five directors to serve until the 2014 Annual Meeting of Shareholders;

(b) Approval of the advisory vote on executive compensation;

(c) Ratification of the selection of Grant Thornton LLP as Credit Acceptance Corporation's independent registered public accounting firm for 2013; and

(d) Transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Shareholders of record on March 21, 2013 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 4, 2013, Credit Acceptance Corporation mailed a Notice of Internet Availability of Proxy Materials containing instructions on how to access our 2013 proxy statement and 2012 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 4, 2013

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Credit Acceptance Corporation

PROXY STATEMENT

Annual Meeting of Shareholders to be held May 16, 2013

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 used at the Annual Meeting of Shareholders of Credit Acceptance (the "Annual Meeting") to be held on Thursday, May 16, 2013, 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 4, 2013.

Only shareholders of record at the close of business on March 21, 2013 (the "Record Date") will be entitled to vote at the meeting or any adjournment or postponement thereof. Each holder of the 23,587,496 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 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 2013. 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 an advisory vote on executive compensation and the ratification of the selection of Grant Thornton as our independent registered public accounting firm for 2013 each require the affirmative vote of a majority of the votes cast at the Annual Meeting by the holders of shares entitled to vote thereon.

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If you own shares through a bank or broker in street name, you may instruct your bank or broker how to vote your shares. If you do not instruct your bank or broker how to vote such shares, your bank or broker can only vote your shares on the routine matter of ratification of Grant Thornton as our independent registered public accountant for 2013. Without your instructions, your bank or broker is not permitted to vote your shares on any other proposal, resulting in a “broker non-vote” with respect to any such proposal.

If you withhold your vote on the election of directors or abstain from voting on any or all proposals, your shares will be included in the number of shares present and entitled to vote at the meeting and counted for purposes of determining a quorum. Withheld votes and broker non-votes will be excluded entirely from the vote on the election of directors and will therefore have no effect on the election. Abstentions and broker non-votes are not counted as votes cast on the advisory vote on executive compensation and the ratification of the selection of Grant Thornton as our independent registered public accounting firm for 2013 and will therefore have no effect on the outcome of these matters.

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.

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COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of March 21, 2013 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 21, 2013 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 Beneficially Owned		Percent of Outstanding Shares (1)	
Donald A. Foss	11,431,799	(a)	48.5	%
Brett A. Roberts	98,296		*	
Steven M. Jones	-		*	
John P. Neary	-		*	
Kenneth S. Booth	8,351		*	
Charles A. Pearce	-		*	
Glenda J. Flanagan	72,000	(b)	*	
Thomas N. Tryforos	498,783	(c)	2.1	%
		(d)		
Scott J. Vassalluzzo	319,967	(e)	1.4	%
All Directors and Executive Officers as a Group (10 persons)	12,432,771	(b) (f)	52.6	%
Prescott General Partners LLC	2,846,039	(e)	12.1	%
Prescott Associates L.P.	1,638,129	(e)	6.9	%
Jill Foss Watson	2,000,488	(a)	8.5	%

* Less than 1%.

(1) In accordance with SEC regulations, the percentage calculations are based on 23,587,496 shares of common stock issued and outstanding as of March 21, 2013 plus shares of common stock which may be acquired pursuant to exercisable options, within 60 days of March 21, 2013, by each individual or group listed in (b).

(a) Shares beneficially owned by Mr. Foss and Ms. Foss Watson consist of the following:

Name	Sole Voting and Dispositive Power		Shared Voting and Dispositive Power		Total
Donald A. Foss	4,419,149		-		4,419,149
	320,000	(i)	-		320,000
	2,878,752	(ii)	-		2,878,752
	3,813,898	(iii)	-		3,813,898
	11,431,799		-		11,431,799
Jill Foss Watson	236,344		-		236,344
	1,035,323	(iv)	728,821	(v)	1,764,144

	1,271,667	728,821	2,000,488

(i) Shares held as collateral in a loan facility at Comerica Bank.

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(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.

(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.

(iv) Shares are held by the Donald A. Foss 2009 Remainder Trust dated September 3, 2009, Ms. Foss Watson as the Trustee, for the benefit of Mr. Foss' child as remainderman. Mr. Foss does not have any voting power or dispositive power of such shares.

(v) Shares are held by the Donald A. Foss 2010 Remainder Trust dated May 20, 2010, Ms. Foss Watson as the Trustee, for the benefit of Mr. Foss' child as remainderman. Mr. Foss does not have any voting power or dispositive power of such shares.

The business address of Mr. Foss and Ms. Foss Watson is 25505 West Twelve Mile Road, Suite 4125, Southfield, Michigan 48034.

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

Name	Stock Options
Glenda J. Flanagan	70,000
All Directors and Executive Officers as a Group (10 persons)	70,000

(c) Includes 470,800 shares owned by Elias Charles & Co LLC of which Mr. Tryforos is the managing member. Also includes 27,983 shares owned by others for which Mr. Tryforos has shared dispositive power, but no voting power.

(d) Shares beneficially owned by Mr. Vassalluzzo, based on information obtained directly from him as of March 21, 2013, consist of the following:

Shared Voting and Dispositive Power	Sole Voting and Dispositive Power	No Voting and Shared Dispositive Power	Total
133,212	57,758	128,997	319,967

The business address of Mr. Vassalluzzo is 2200 Butts Road, Suite 320, Boca Raton, Florida 33431.

(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. 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 2,846,039 shares. 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 1,140,375 shares and 1,638,129 shares, respectively. The business address of Prescott General Partners LLC, Idoya Partners L.P. and Prescott Associates L.P. is 2200 Butts Road, Suite 320, Boca Raton, Florida 33431.

(f) Includes shares referenced in (a), (b), (c), (d) and (e), above.

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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.

Donald A. Foss; age 68; 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 59; 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.

Brett A. Roberts; age 46; 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 53; 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. He is also a director of Copart, Inc.

Scott J. Vassalluzzo; age 41; 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.

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Other Executive Officers

Steven M. Jones; age 49; 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 36; 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 – DSC 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 45; 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.

Charles A. Pearce; age 48 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.

Douglas W. Busk; age 52; 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.

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.

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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 five meetings during 2012. All directors attended all meetings of the Board and committees of the Board on which he or she served during 2012, with the exception of Ms. Flanagan, who was absent for two audit committee meetings. 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 2012 Annual Meeting attended the 2012 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 2012 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 Exchange ("NASDAQ").

The Board has adopted charters for each of the three standing committees. The charters are available on our website at creditacceptance.com through the "Corporate Governance" link on the "Investor Relations" page.

The Executive Compensation Committee held five meetings in 2012. 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 four meetings in 2012. 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 2014 Annual Meeting” for a description of the procedures for shareholders to submit recommendations of candidates for director.

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The Audit Committee met ten times in 2012. 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, 2012 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, 2012 for filing with the SEC. The Audit Committee also reappointed Grant Thornton as the independent auditors for the fiscal year ended December 31, 2013.

AUDIT COMMITTEE:

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

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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. 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 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":

- Brett A. Roberts, Chief Executive Officer;
- Steven M. Jones, President;
- John P. Neary, Chief Administrative Officer;
- Kenneth S. Booth, Chief Financial Officer; and
- Charles A. Pearce, Chief Legal Officer and Corporate Secretary

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. The Compensation Committee also determines compensation for other named executive officers after considering recommendations supplied by our Chief Executive Officer.

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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. The Compensation Committee does not use compensation consultants or peer groups.

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 January 2013, the Compensation Committee determined Mr. Roberts' annual base salary of $1,025,000 for 2012 will remain unchanged for 2013, based on the determination that his overall compensation plan did not require adjustment and is working as intended.

The principal component of Mr. Roberts' incentive compensation plan is comprised of performance-based restricted stock unit ("RSU") and restricted share awards that vest over a 15 year period 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 share vesting calculation, as net income (adjusted for non-recurring items and certain non-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 March 26, 2012, the Compensation Committee approved an award of 310,000 RSUs and 190,000 restricted shares to Mr. Roberts. Each RSU represents and has a value equal to one share of our common stock. 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.

In 2012, under the formula described above, 25,574 of the 31,000 RSUs eligible to vest were vested upon the approval of the Compensation Committee in January 2013. As of the Record Date, 25,574 of the 310,000 RSUs awarded to Mr. Roberts on March 26, 2012 have vested. Vested RSUs from the March 26, 2012 award will be settled in stock in equal installments on December 31, 2022, 2023, 2024, 2025 and 2026.

The grant of 190,000 restricted shares 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.

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The 90,000 restricted shares are eligible to vest beginning in 2012 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.

In 2012, under the formula described above, 7,425 of the 9,000 restricted shares eligible to vest were vested upon the approval of the Compensation Committee in January 2013. As of the Record Date, 7,425 of the 190,000 restricted shares awarded to Mr. Roberts have vested. The sales restrictions of the vested restricted shares 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 shares 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 share 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 98,296 shares of our common stock, 234,726 vested RSUs and 5,079 vested restricted shares.

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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 January 2013, the Compensation Committee determined 2013 base salaries for our named executive officers other than our Chief Executive Officer. Based on the criteria stated above, the following base salary changes were made: Mr. Jones' annual base salary increased from $607,753 to $625,000; Mr. Neary's annual base salary increased from $413,875 to $500,000; Mr. Booth's annual base salary increased from $395,040 to $414,792; and Mr. Pearce's annual base salary increased from $324,893 to $380,000. The increases to base salaries were determined based on a combination of Company results for 2012 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 awarded to Mr. Jones vest over a five year period starting in 2009, 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:

Compounded Annual Growth Rate in Adjusted Economic Profit	Vesting Percentage (a)	
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 2012, under the formula described above, the compounded annual growth rate in adjusted economic profit from 2009 to 2012 was greater than 10%, so 100% of the 30,000 RSUs eligible to vest were vested upon the approval of the Compensation Committee in January 2013. As of the Record Date, 120,000 of the 150,000 RSUs awarded to Mr. Jones have vested. The vested RSUs will be distributed on February 22, 2016.

Incentive Compensation – Mr. Neary, Chief Administrative Officer; Mr. Booth, Chief Financial Officer and Mr. Pearce, Chief Legal Officer and Corporate Secretary. The incentive compensation plan for Messrs. Neary, Booth, and Pearce 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, Mr. Booth was awarded 22,500 RSUs and Mr. Pearce was awarded 20,000 RSUs. The RSUs granted to Messrs. Neary, Booth and Pearce have the same terms as those granted to Mr. Jones, as described above. In 2012, under the formula described above, the compounded annual growth rate in adjusted economic profit from 2009 to 2012 was greater than 10%, so 100% of the 5,000, 4,500 and 4,000 RSUs eligible to vest for Messrs. Neary, Booth and Pearce were vested, respectively, upon the approval of the Compensation Committee in January 2013. As of the Record Date, 20,000 of the 25,000 RSUs awarded to Mr. Neary, 18,000 of the 22,500 RSUs awarded to Mr. Booth and 16,000 of the 20,000 RSUs awarded to Mr. Pearce have vested. The vested RSUs will be distributed on February 22, 2016.

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 maximum possible cash bonus awards. If growth from the prior year in adjusted economic profit, as disclosed in our annual earnings release, exceeds 10%, the maximum cash bonus is 60%. If growth in adjusted economic profit is greater than 0% but less than 10%, the maximum cash bonus is 45%. If adjusted economic profit falls below that achieved in the prior year, the maximum cash bonus is 30%. In 2012, growth in adjusted economic profit exceeded 10%. Individual performance is assessed twice per year through a formal performance review. Messrs. Neary, Booth and Pearce 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. The maximum possible cash bonus award established by the growth in adjusted economic profit may be decreased based on the individual's performance rating. Additionally, awards may be decreased, but not increased, in the sole discretion of the Committee based on such factors as it deems appropriate. For 2012, Messrs. Neary, Booth and Pearce earned cash bonus amounts of $248,325, $158,016 and $162,446, respectively, which were paid out in February 2013.

The Compensation Committee believes that the RSUs granted to Messrs. Jones, Neary, Booth and Pearce 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, Booth and Pearce 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 three other most highly compensated executive officers (excluding our Chief Financial Officer) 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.

Response to 2012 Say-on-Pay

Stockholder endorsement of the design and administration of our executive compensation programs was evidenced by a vote of approval at our 2012 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.

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.

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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, 2012.

Name and Principal Position	Year	Salary	Bonus (a)	Stock Awards (b)	Non-Equity Incentive Plan Compensation (a)	All Other Compensation (c)	Total
Brett A. Roberts	2012	$ 1,025,000	$ -	$ 53,250,000	$ -	$ 7,500	$ 54,282,500
Chief Executive Officer	2011	800,000	175,000	-	-	7,350	982,350
	2010	800,000	-	-	-	7,350	807,350
Steven M. Jones	2012	$ 607,753	$ -	$ -	$ -	$ 7,389	$ 615,142
President	2011	578,813	-	-	-	6,019	584,832
	2010	551,250	-	-	-	4,900	556,150
John P. Neary	2012	$ 413,875	$ -	$ -	$ 248,325	$ 7,902	$ 670,102