

CREDIT ACCEPTANCE CORPORATION

Form DEF 14A

April 25, 2007

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
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

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CREDIT ACCEPTANCE CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

**TABLE OF CONTENTS**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

MATTERS TO COME BEFORE THE MEETING

COMPENSATION OF EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE

GRANTS OF PLAN-BASED AWARDS

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

OPTION EXERCISES AND STOCK VESTED

CERTAIN RELATIONSHIPS AND TRANSACTIONS

INDEPENDENT ACCOUNTANTS

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

OTHER BUSINESS MATTERS

SHAREHOLDER PROPOSALS AND NOMINEES FOR 2008 ANNUAL MEETING

---

**Table of Contents**

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**to be held May 24, 2007**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Credit Acceptance Corporation, a Michigan corporation, will be held at 25505 West Twelve Mile Road, Southfield, Michigan 48034, on Thursday, May 24, 2007, at 8:00 a.m., local time, for the following purposes.

1. To elect five directors to serve until the 2008 Annual Meeting of Shareholders;
2. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Shareholders of record on March 30, 2007 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, you are urged to sign and return immediately the enclosed Proxy in the envelope provided. No postage is required if the envelope is mailed in the United States. 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  
Corporate Secretary

Southfield, Michigan  
April 25, 2007

---

Table of Contents

**Credit Acceptance Corporation**

**PROXY STATEMENT**

**Annual Meeting of Shareholders to be held May 24, 2007**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Credit Acceptance Corporation, a Michigan corporation (the Company), to be used at the Annual Meeting of Shareholders of the Company to be held on Thursday, May 24, 2007, 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 25, 2007.

Only shareholders of record at the close of business on March 30, 2007 (the Record Date) will be entitled to vote at the meeting or any adjournment or postponement thereof. Each holder of the 30,291,517 issued and outstanding shares of the Company's 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.

A proxy may be revoked at any time before it is exercised by giving a written notice to the Corporate Secretary of the Company 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, such shares will be voted for the election of directors named in this Proxy Statement.** The Board of Directors 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.

If you withhold your vote with respect to the election of the directors, your shares will be 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.

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 election of directors is considered a routine matter, so your bank or broker will have discretionary authority to vote your shares held in street name on that proposal.

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

**Table of Contents**

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

The following table sets forth information as of March 30, 2007 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 Securities and Exchange Commission ( 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 30, 2007 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.

	<b>Number of Shares Beneficially Owned</b>	<b>Percent of Outstanding Shares</b>
Donald A. Foss	19,523,269(a)	64.5%
Brett A. Roberts	825,716(b)	2.7%
Steven M. Jones	121,511(b)	*
Michael W. Knoblauch	359,562(b)	1.2%
Kenneth S. Booth	25,517(b)	*
Glenda J. Chamberlain	44,000(b)	*
Thomas N. Tryforos	452,684(c)	1.5%
Scott J. Vassalluzzo	4,132,746(d)	13.6%
All Directors and Executive Officers as a Group (12 persons)	25,577,644(e)	81.1%
Thomas W. Smith	4,812,597(d)	15.9%
Idoya Partners L.P.	1,943,403(d)	6.4%
Prescott Associates L.P.	1,721,297(d)	5.7%

\* Less than 1%.

- (a) Shares are held by Donald A. Foss and Donald A. Foss Revocable Living Trust dated January 26, 1984 as to which Mr. Foss is the trustee. Karol A. Foss as 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, and Allan Apple as trustee of the Karol A. Foss 2005 Grantor Retained Annuity Trust under Agreement dated November 11, 2005, are the record owners of 9,711,773 of these shares of which 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. In addition, Mr. Foss has shared voting and dispositive power with respect to 83,166 shares which are owned by a limited liability company in which he has a 20% interest. The amount also includes 2,026,851 shares pledged pursuant to a margin account arrangement. Mr. Foss' business address is 25505 West Twelve Mile Road, Southfield, Michigan 48034-8339.

**Table of Contents**

- (b) Includes shares which the individual has the right to acquire upon exercise of employee or director stock options and restricted shares as to which the individual has voting power but which are subject to forfeiture and restrictions on transfer until the related vesting conditions have been satisfied, as follows:

	<b>Stock Options</b>	<b>Restricted Shares</b>
Brett A. Roberts	652,469	105,247
Steven M. Jones	104,029	17,482
Michael W. Knoblauch	350,307	6,655
Kenneth S. Booth	10,000	11,217
Glenda J. Chamberlain	40,000	
All Directors and Executive Officers as a Group (12 persons)	1,237,855	150,190

- (c) Mr. Tryforos shares power to dispose with respect to 17,842 shares owned by others but has no voting rights with regard to those shares.
- (d) The number of shares is based on information obtained from Messrs. Smith and Vassalluzzo as of March 30, 2007. The number of shares that Mr. Vassalluzzo beneficially owns includes 3,941,658 shares over which he has shared voting and dispositive power, 40,000 shares over which he has sole voting power, and 191,088 shares over which he has sole dispositive power. Mr. Smith has shared voting and dispositive over 3,941,658 shares, sole voting power over 535,869 shares, and sole dispositive power over 870,939 shares. Idoya Partners L.P., a New York limited partnership for which Messrs. Smith and Vassalluzzo are each a general partner, has the sole power to vote or direct the vote and dispose or to direct the disposition of 1,943,403 shares. These shares are included in the amount of shares beneficially owned by Messrs. Smith and Vassalluzzo over which they have shared voting and dispositive power. Prescott Associates L.P., a New York limited partnership for which Messrs. Smith and Vassalluzzo are each a general partner, has the sole power to vote or direct the vote and dispose or to direct the disposition of 1,721,297 shares. These shares are included in the amount of shares beneficially owned by Messrs. Smith and Vassalluzzo over which they have shared voting and dispositive power. The business address of Idoya Partners L.P., Prescott Associates L.P., Mr. Smith and Mr. Vassalluzzo is 323 Railroad Avenue, Greenwich, Connecticut 06830.
- (e) Includes shares referenced in (a), (b), (c) and (d) above.

**MATTERS TO COME BEFORE THE MEETING****ELECTION OF DIRECTORS****Description of Nominees**

Five directors, constituting the entire Board of Directors, 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 of Directors of the Company. 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 of Directors may select. Each of the nominees is currently a director of the Company.



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 of Directors and period of service as a director of the Company. The Board of Directors recommends a vote FOR each of the nominees for election. **Executed proxies will be voted FOR the election of the Board's 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. Broker non-votes and 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.

**Table of Contents**

**Donald A. Foss; age 62; Chairman of the Board.**

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

**Glenda J. Chamberlain; age 53; Executive Vice President and Chief Financial Officer, Whole Foods Market, Inc.**

Ms. Chamberlain 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. Chamberlain joined Whole Foods Market in 1988 as Chief Financial Officer, prior to which she held positions in public accounting, retail and business consulting. Ms. Chamberlain became a director of the Company in March 2004. She is also a director of Golfsmith International Holdings, Inc.

**Brett A. Roberts; age 40; Chief Executive Officer.**

Mr. Roberts joined the Company 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 the Company in March 2002.

**Thomas N. Tryforos; age 47; 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 the Company in July 1999.

**Scott J. Vassalluzzo; age 35; General Partner, Prescott Investors, Inc.**

Mr. Vassalluzzo is a General Partner at Prescott Investors, Inc., a private investment firm. Mr. Vassalluzzo joined Prescott Investors 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 the Company in March 2007.

**Other Executive Officers**

**Steven M. Jones; age 43; President.**

Mr. Jones joined the Company 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 the Company's 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.

**Michael W. Knoblauch; age 43; Chief Operating Officer.**

Mr. Knoblauch joined the Company in 1992. He served as the Company's collection manager from May 1994 to August 1995. He was named Vice President Collections in August 1995, Chief Operating Officer in July 1999, Co-President in January 2000, President in October 2000, and to his present position in January 2002.

**Table of Contents**

**Kenneth S. Booth; age 39; Chief Financial Officer.**

Mr. Booth joined the Company 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 the Company, Mr. Booth worked in public accounting, most recently as a senior manager at PricewaterhouseCoopers LLP.

**Douglas W. Busk; age 46; Treasurer.**

Mr. Busk joined the Company in November 1996 and was named Vice President and Treasurer in January 1997. 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 the Company's Capital Services unit. He resumed his duties as Chief Financial Officer and Treasurer in December 2001 and was named to his present position in May 2004.

**Steven M. Dion; age 38; Chief Human Resources Officer.**

Mr. Dion joined the Company in November 2001 as Vice President Human Resources and was promoted to his present position in December 2004.

**Michael P. Miotto; age 46; Chief Information Officer.**

Mr. Miotto joined the Company in November 2006 as Chief Information Officer. From May 2001 through November 2006, he was the Strategic Infrastructure and Marketing and Sales Systems Manager for Ford Motor Company.

**Charles A. Pearce; age 42; Chief Legal Officer.**

Mr. Pearce joined the Company 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.

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

The Board of Directors held seven meetings during 2006. All directors attended at least 75% of the total number of meetings of the Board and any committees of the Board on which he or she served during 2006, which were held during the period that he or she served. Directors are expected to use their best efforts to be present at the annual meeting of shareholders. All of the Company's directors who were serving at such time of the 2006 Annual Meeting of Shareholders attended the 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 2006 were Messrs. Craig, Leff, and Tryforos and Ms. Chamberlain, with Mr. Tryforos acting as chairman. Mr. Leff resigned from the Board effective June 28, 2006 and Mr. Craig resigned effective March 15, 2007. Mr. Vassalluzzo was appointed to the Board on March 21, 2007. Messrs. Craig, Leff, Tryforos, Vassalluzzo, and Ms. Chamberlain were determined to be independent directors as defined in Marketplace Rule 4200(a)(15) of The Nasdaq Stock Market (Nasdaq).

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

The Executive Compensation Committee held five meetings in 2006. The Executive Compensation Committee's principal responsibilities include: (a) reviewing and approving on an annual basis the compensation of all executive officers of the Company, (b) making recommendations to the Board regarding compensation of non-employee directors, and (c) reviewing and administering all benefit plans pursuant to which Company securities (including stock options, restricted share grants, and restricted share unit awards) are granted to the Company's executive officers or directors.

## **Table of Contents**

The Nominating Committee did not meet in 2006 but held informal discussions from time to time as the need arose. 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 shareholders meeting 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 sources outside the Company. 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 portfolio of skills, experience, perspective and background required for the effective functioning of the Board, as well as the Company's strategy and its regulatory and market environments. 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 2008 Annual Meeting* for a description of the procedures for shareholders to submit recommendations of candidates for director. The Nominating Committee consists of Glenda Chamberlain, Thomas Tryforos, and Scott Vassalluzzo (appointed March 23, 2007).

The Audit Committee met twelve times in 2006. The Audit Committee's principal responsibilities include: (a) overseeing the integrity of the Company's financial statements and financial reporting process, and the Company's systems of internal accounting and financial controls; (b) overseeing the annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (c) overseeing the Company's disclosure controls and procedures; (d) approving in advance all audit services, to ensure that a written statement is received from the external auditors setting forth all relationships with the Company; (e) reviewing and approving any related party transactions; (f) periodically meeting with the Chief Legal Officer and the appropriate legal staff to review material legal affairs of the Company; and (g) 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. Chamberlain 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 the financial reports of the Company.

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 the Company that might reasonably be thought to bear on the auditors' independence consistent with Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, 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 and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements. The Audit Committee also discussed the results of the internal audit examinations.

The Audit Committee reviewed and discussed with management and the independent auditors the audited financial statements of the Company as of and for the fiscal year ended December 31, 2006.

## **Table of Contents**

Based on the above-mentioned reviews and discussions with management and the independent auditors, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the SEC. The Audit Committee also reappointed Grant Thornton LLP as the independent auditors for the fiscal year ended December 31, 2007.

### **AUDIT COMMITTEE:**

**GLEND A J. CHAMBERLAIN**

**THOMAS N. TRYFOROS**

**SCOTT J. VASSALLUZZO**  
**(appointed March 23, 2007)**

### **Shareholder Communications with the Board of Directors**

Shareholders desiring to communicate with the board of directors or any individual director may call 1-866-396-0556 or e-mail the board of directors by going to the Company's website at [ir.creditacceptance.com/contact-board.cfm](http://ir.creditacceptance.com/contact-board.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, the Director of Internal Audit, the Chairman of the Audit Committee, and to any director to whom communications are addressed. Communications submitted to the board through the Company's website will be received by the Company's Chief Legal Officer, the Director of Internal Audit, the Chairman of the Audit Committee, and any directors to whom the communication was addressed.

### **Codes of Ethics**

The Company has adopted codes of ethics that apply to the Company's directors, executive officers and other employees. The codes of ethics are available on the Company's website at [creditacceptance.com](http://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 48037. The Company intends to disclose any amendments to, or waivers from, the provisions of the codes of ethics applicable to its directors or executive officers on its website.

## **COMPENSATION OF EXECUTIVE OFFICERS**

### **Compensation Discussion and Analysis**

The following Compensation Discussion and Analysis describes the elements of compensation for the individuals who served as the Company's Chief Executive Officer and Chief Financial Officer during 2006, as well as the other individuals included in the Summary Compensation Table on page 11. These individuals are referred to as the named executive officers. The Executive Compensation Committee establishes and reviews the compensation for the named executive officers, while implementation and day-to-day administration of the Company's compensation programs is performed by employees of the Company.

### ***General Philosophy***

The Executive Compensation Committee annually reviews and makes recommendations to the Board of Directors regarding executive compensation for the Chief Executive Officer and other executive officers of the Company as well as reviews and gives input into the compensation philosophies and programs for all employees. It is the philosophy of the Executive Compensation Committee that the executive compensation program should align the financial interests of the Company's executives with the long term interests of the Company and its shareholders and should attract and retain qualified executives to lead the Company toward its goals. To this end, the Executive



Compensation Committee believes executive officers should be treated as owners of the Company in terms of the way their variable compensation is calculated. In making compensation decisions, the Executive Compensation Committee focuses on creating a plan that creates a partnership between the Chairman of the Board, the CEO, and shareholders. As a result, in addition to their base salary, executive officers receive incentive compensation linked to

## **Table of Contents**

Company performance that the Executive Compensation Committee believes benefits the shareholders, as described in more detail below.

### ***Role of Executive Officers in Compensation Decisions***

The Chief Executive Officer annually reviews the performance of each executive officer (other than the Chairman of the Board and the Chief Executive Officer whose performance is reviewed by the Executive Compensation Committee). The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual award amounts, are presented to the Executive Compensation Committee. The Executive Compensation Committee can exercise its discretion in modifying any recommended adjustments or awards to executive officers. The Executive Compensation Committee delegates compensation decisions with regard to all other officers, other than Mr. Foss, to the Chief Executive Officer and may form and delegate authority to subcommittees when appropriate, provided any action taken by a subcommittee is subsequently reported to the Committee and ratified. The Committee may also delegate to the Chief Executive Officer, the Chief Financial Officer and the Chief Human Resources Officer the authority to grant options and make awards of shares under the Company's stock plans under conditions established by the Committee to the extent permitted by the relevant plan.

### ***Compensation Peer Group***

Total compensation is compared to a peer group of publicly-traded companies (collectively, the Compensation Peer Group). The companies comprising the Compensation Peer Group are:

AmeriCredit Corporation	National Instruments Corporation
Asset Acceptance Capital Corporation	NCO Group, Inc.
Arbitron, Inc.	Portfolio Recovery Associates, Inc.
Citizens Banking Corporation	Pre-Paid Legal Services, Inc.
HomeBanc Corporation	Sterling Bancshares, Inc.
John Wiley & Sons, Inc.	Valassis Communications, Inc.
Keane, Inc.	Vertrue, Inc.
Metris Companies, Inc.	World Acceptance Corporation
Mobile Mini, Inc.	

The Company looked at compensation data for three separate groups of companies: (1) companies operating in the financial services industry, (2) companies whose culture and compensation practices were known by the Company and (3) companies selected from Fortune magazine's The 100 Best Companies to Work For list. For each of the three groups, companies were selected so that the average company size represented was comparable to the Company in terms of market value and profitability.

### ***2006 Executive Compensation Components***

For the fiscal year ended December 31, 2006, the principal components of compensation for named executive officers were:

- a base salary;
- non-equity incentive compensation; and
- equity incentive compensation (restricted shares).

**Base Salary.** The Company provides named executive officers and other employees with a base salary to compensate them for services rendered during the fiscal year. Base salary ranges for each of the named executive officers are determined based on the responsibilities and required skills as well as data from the Compensation Group. The base salary level for each executive officer was then determined by reviewing the executive officer's individual performance for the prior year. Salaries are reviewed annually.

**Non-Equity Incentive Compensation.** Cash bonuses were awarded to the named executive officers based upon Company performance. Mr. Foss does not receive any form of incentive compensation due to his significant ownership percentage of the Company. His base salary compensates him for the services that he renders to the

**Table of Contents**

Company during the year. Variable compensation awards for 2006 for the named executive officers, other than Mr. Foss, were based on a formula that considers both the amount of adjusted economic profit generated in 2006 and the percentage change in adjusted economic profit in 2006 as compared to 2005. Adjusted economic profit is defined for this purpose as net income (adjusted for non-recurring items and certain non-gaap adjustments as included in the Company's earnings releases and adjustments to reflect carrying costs of stock options) less a cost of equity equal to 10% of average equity. The Company determines the carrying cost of a stock option as follows: the strike price of the option multiplied by a 10% capital cost. The Executive Compensation Committee believes that variable compensation awards based on measures that directly impact adjusted economic profit properly align the executives' incentives with the Company's performance, because the Executive Compensation Committee believes that improvements in adjusted economic profit will create increased shareholder value. The cash portion of the named executive officers' 2006 bonuses were calculated as follows: 8.0% of the change in adjusted economic profit year over year plus 0.8% of the 2006 adjusted economic profit for Mr. Roberts, the Chief Executive Officer; 3.4% and 0.34% for Mr. Jones, the President of the Company; 4.0% and 0.4% for Mr. Knoblauch, the Chief Operating Officer; and 2.0% and 0.2% for Mr. Booth, the Chief Financial Officer. The bonus amounts were approved by the Compensation Committee on February 22, 2007.

***Equity Incentive Compensation.*** The Company currently has one plan, the Incentive Compensation Plan (the Incentive Plan), under which grants of equity-based awards may be made. Although the Incentive Plan permits the Executive Compensation Committee to grant a wide variety of equity based compensation and has wide latitude to determine the terms of such awards, the Executive Compensation Committee has granted shares of restricted stock to executive officers, having concluded that restricted share grants align the interests of management with those of the Company's shareholders over time.

The Executive Compensation Committee's practice is to determine the dollar amount of equity compensation and to then grant a number of restricted shares having a fair market value equal to that amount on the date of grant based on the average of the high and low sale prices of the stock on such date. With the exception of significant promotions and new hires, the Executive Compensation Committee generally makes these awards at the first meeting of the Compensation Committee each year following the availability of the financial results for the prior year. These grants were made on April 13, 2006, for the fiscal year ended December 31, 2005, and on February 22, 2007, for the fiscal year ended December 31, 2006.

Restricted share grants were determined based upon the same factors that determine the cash portion of variable compensation. Specifically, the dollar amount each restricted share grant was determined by multiplying the cash award by 2.0 and subtracting an amount that considers the value of outstanding stock options previously granted to each executive officer. The number of shares granted was determined based on the average of the high and low sale prices of the Company's common stock on February 22, 2007, which was \$26.30 per share. Mr. Foss, for the reasons cited above, did not receive a restricted stock grant.

Recipients of the restricted share grants have full rights as shareholders other than the right to transfer the shares prior to vesting. The restricted shares granted for 2006 performance will vest in accordance with the following schedule, provided that the named executive officer is employed with the Company through those dates:

1/3 of the original number of restricted shares will vest on the first anniversary of the grant date;

1/3 of the original number of restricted shares will vest on the second anniversary of the grant date; and

1/3 of the original number of restricted shares will vest on the third anniversary of the grant date.

If employment is involuntarily terminated within six months following a change in control of the Company, the shares are not forfeited but, instead, will continue to vest on the schedule set forth above.

***2007 Executive Compensation Components***

On February 22, 2007, the Executive Compensation Committee approved an award of 300,000 restricted share units to Mr. Roberts, the Chief Executive Officer. Each restricted share unit represents and has a value equal to one share of common stock of the Company. The restricted share units will be earned over a five year period starting in 2007, based upon the compounded annual increase in the Company's adjusted economic profit. Adjusted economic

**Table of Contents**

profit is defined for the purposes of the restricted share unit vesting calculation as net income (adjusted for non-recurring items and certain non-gaap adjustments as included in the Company's earnings releases and adjustments to reflect carrying costs of stock options) less 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 the Company's use of debt. The actual formula utilized for determining the cost of equity is as follows:  $(\text{the average 30 year treasury rate} + 5\%) + [(1 - \text{tax rate}) \times (\text{the average 30 year treasury rate} + 5\% - \text{the pre-tax average cost of debt rate}) \times (\text{average debt} / (\text{average equity} + \text{average debt} \times \text{tax rate}))]$ . Each year, 20% of the grant is eligible to vest. In 2007, if adjusted economic profit improves at least 10% as compared to 2006, 100% of the restricted share units eligible to vest will vest. If adjusted economic profit growth in 2007 is greater than 0% but less than 10% then half of the eligible restricted share units will vest. In 2008 through 2011, if the compounded growth in economic profit measured from 2006 is 10% or greater, then 100% of the restricted share units eligible to vest will vest, including the restricted share units that did not vest in prior years. During this same period, if compounded growth in economic profit is greater than 0% but less than 10%, then half of the eligible restricted share units will vest, including restricted share units that did not vest in prior years. As a result of this grant, Mr. Roberts will not participate in other annual cash bonuses or annual restricted share grants over the five year period. Any earned shares will be distributed to Mr. Roberts on February 22, 2014. In the event of a change in control of the Company, the award will fully vest at the target amount and the value will be payable in cash within 30 days after the change in control. During the performance period (2007-2011) the Company will credit Mr. Roberts, on each date that the Company pays a cash dividend to holders of common stock generally, an additional number of restricted share units equal to the total number of whole restricted share units and additional share units previously credited multiplied by the dollar amount of the cash dividend paid per share of common stock by the Company on such date, divided by the closing price of a share of common stock on such date. The restricted share units may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Mr. Roberts will have no voting rights or right to transfer the restricted share units or the underlying shares until shares of common stock are vested and issued to him.

On February 22, 2007, the Executive Compensation Committee also determined the 2007 annual bonus and restricted share formulas for the Company's executive officers. Bonus amounts will be based on the percentage growth in adjusted economic profit generated by the Company in 2007 as compared to 2006. The Company defines adjusted economic profit as the amount of net operating profit after-tax (net income plus the after-tax cost of interest adjusted for non-recurring items and certain non-gaap adjustments as included in the Company's earnings releases and adjustments to reflect carrying costs of stock options) less a cost of capital. The cost of capital will be computed for both 2006 and 2007 based upon the average amount of capital invested (average debt plus average shareholders equity) multiplied by 6.5%. The Company decided to use 6.5% as the cost of capital for the other executive officers to remove the impact of changes in leverage. For each executive officer, the cash portion of the bonus will be computed based upon the following formula:  $(\text{the percentage change in adjusted economic profit}) \times (\text{a multiplier}) \times (\text{the executive officers base salary})$ . The multiplier will be 7.5 for Mr. Jones and Mr. Knoblauch and 5.0 for Mr. Booth, the Chief Financial Officer. Restricted share grants will be equivalent to the cash portion of the variable compensation award, less an amount that considers the value of outstanding stock options. Mr. Roberts, the Chief Executive Officer, will not be eligible for a cash or restricted share grant incentive award due to his restricted share unit award agreement mentioned above.

***Deductibility of Executive Compensation***

Section 162(m) of the Internal Revenue Code of 1986, as amended, restricts the deductibility of executive compensation paid to the Company's 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 Incentive Plan has been

structured to cause compensation paid under the Incentive Plan to comply with these conditions and be exempt from the Section 162(m) restriction on deductibility.

It is possible that other components of the Company's compensation program may result in payments to executive officers that would be subject to the restriction on deductibility. However, the Executive Compensation Committee believes that it may be appropriate from time to time to exceed the limitations on deductibility under

**Table of Contents**

Section 162(m) to ensure that executive officers are compensated in a manner that it believes to be consistent with the best interests of the Company and its shareholders, and reserves the authority to approve non-deductible compensation in appropriate circumstances. The Executive Compensation Committee does not expect the nondeductible amount of executive compensation to be material to the Company. As a result, the Executive Compensation Committee has concluded that no further action with respect to qualifying such compensation for deductibility is necessary at this time. The Executive Compensation Committee intends to evaluate from time to time the advisability of qualifying future executive compensation programs for exemption from the Section 162(m) restriction on deductibility. Because of ambiguities and uncertainties as to the application and interpretation of Section 162(m), no assurance can be given that compensation intended by the Executive Compensation Committee to satisfy the requirements for deductibility under Section 162(m) will in fact be deductible.

***Executive Compensation Committee Report***

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

**THE EXECUTIVE COMPENSATION COMMITTEE****GLEND A. J. CHAMBERLAIN****THOMAS N. TRYFOROS****SCOTT J. VASSALLUZZO**  
**(appointed March 23, 2007)****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 the other three most highly compensated executive officers of the Company who were serving as executives as of December 31, 2006.

Name and Principal Position	Year	Salary	Stock Awards (a)	Option Awards (b)	Non-Equity Incentive		Total
					Plan Compensation (c)	All Other Compensation (d)	
Donald A. Foss Chairman of the Board	2006	\$ 475,000	\$	\$	\$	\$ 1,250	\$ 476,250
Brett A. Roberts Chief Executive Officer	2006	\$ 400,000	\$ 520,179	\$	\$ 319,744	\$	\$ 1,239,923
Steven M. Jones President	2006	\$ 278,538	\$ 67,752	\$ 2,852	\$ 134,704	\$	\$ 483,846
Michael W. Knoblauch Chief Operating Officer	2006	\$ 297,115	\$ 5,318	\$	\$ 159,872	\$ 1,250	\$ 463,555
Kenneth S. Booth Chief Financial Officer	2006	\$ 235,384	\$ 31,552	\$	\$ 70,736	\$ 1,250	\$ 338,922



- (a) The amounts reported in this column represent amounts that have been expensed in the Company's 2006 financial statements in accordance with Financial Accounting Standards No. 123R ( FAS 123(R) ) in connection with restricted share grants in accordance with the Company's Incentive Compensation Plan. These amounts are based on the grant date fair value of such awards expensed over the requisite vesting period and thus include amounts from awards granted in and prior to 2006. Assumptions used in the calculation of these amounts are included in Note 9 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's 2006 Annual Report on Form 10-K.
- (b) The amounts reported in this column represent amounts that have been expensed in the Company's 2006 financial statements in accordance with FAS 123(R) in connection with stock option awards granted in accordance with the Company's 1992 Stock Option Plan (the 1992 Plan ). These amounts are based on the grant date fair value of such awards expensed over the requisite vesting period and thus include amounts

**Table of Contents**

relating to options granted prior to 2006. No options were granted during 2006. The 1992 Plan was terminated as to future grants on May 13, 2004, with shareholder approval of the Incentive Plan. Assumptions used in the calculation of this amount are included in Note 9 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's 2006 Annual Report on Form 10-K.

- (c) Amounts reported in this column were determined in accordance with the formula determined by the Executive Compensation Committee in accordance with the Incentive Plan, which was approved by shareholders on May 13, 2004. The determination of the amounts was approved by the Executive Compensation Committee on February 22, 2007 and paid out shortly thereafter.
- (d) The amounts disclosed in this column consist of the Company's matching contribution for the 401(k) Profit Sharing Plan. The cost to the Company of perquisites provided in 2006 to the named executive officers did not exceed \$10,000 and, therefore, has been excluded pursuant to applicable SEC rules.

**GRANTS OF PLAN-BASED AWARDS**

The following table sets forth information concerning each grant of an award made to a named executive officer in 2006.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			Grant Date Fair Value of Stock Awards (\$)(c)
		Threshold (\$)	Target (\$)(a)	Maximum (\$)	Threshold (#)	Target (#)(b)	Maximum (#)	
Donald A. Foss		\$	\$	\$				
Brett A. Roberts	4/13/2006	\$	\$ 319,744	\$		52,756		\$ 1,292,522
Steven M. Jones	4/13/2006	\$	\$ 134,704	\$		7,139		\$ 174,906
Michael W. Knoblauch	4/13/2006	\$	\$ 159,872	\$		1,125		\$ 27,563
Kenneth S. Booth	4/13/2006	\$	\$ 70,736	\$		5,634		\$ 138,033

- (a) The amounts reported in this column were determined in accordance with the formula determined by the Executive Compensation Committee in accordance with the Incentive Plan. The cash portion of the named executive officers' 2006 bonuses were calculated as follows: 8.0% of the change in adjusted economic profit year over year plus 0.8% of adjusted economic profit for Mr. Roberts, the Chief Executive Officer; 3.4% and 0.34% for Mr. Jones, the President of the Company; 4.0% and 0.4% for Mr. Knoblauch, the Chief Operating Officer; and 2.0% and 0.2% for Mr. Booth, the Chief Financial Officer. The bonus formula was applied to the Company's improvement of adjusted economic profit from 2005 to 2006, and the determination of the actual bonus amounts was approved by the Compensation Committee on February 22, 2007 and paid out shortly thereafter. The Company does not have any threshold, target, or maximum amounts.

- (b) The amounts reported in this column were determined in accordance with the formula determined by the Compensation Committee in accordance with the Incentive Plan. The bonus formula was applied to the Company's improvement in economic profit from 2004 to 2005. The number of shares granted was determined based on the closing market price of the Company's common stock on April 13, 2006, which was \$24.50 per share. The restricted stock awards were granted pursuant to a restricted stock grant agreement, the form of which was filed by the Company as Exhibit 10(q)(2) to the Current Report on Form 8-K dated February 24, 2005. These awards vest in accordance with the vesting schedule outlined in Footnote (a) to the Outstanding Equity Awards at Fiscal Year End table.
- (c) The amounts reported in this column represent the grant-date fair value of the entire awards. Assumptions used in the calculation of this amount are included in Note 9 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's 2006 Annual Report on Form 10-K.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END**

The following table provides information with respect to unexercised options and shares of restricted stock that have not vested as of December 31, 2006.

Name	Option Awards			Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other 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)
Donald A. Foss			\$			\$
Brett A. Roberts	100,000		\$ 8.31	3/6/2008		
	100,000		\$ 3.63	12/31/2009		
	452,469		\$ 9.25	1/2/2012		
					104,103	\$ 3,469,753
Steven M. Jones	104,029		\$ 10.33	11/17/2013		
					13,587	\$ 452,855
Michael W. Knoblauch	111,600		\$ 6.00	11/3/2007		
	50,000		\$ 8.31	3/6/2008		
	100,000		\$ 3.63	12/31/2009		
	100,000		\$ 9.89	2/11/2012		
					1,125	\$ 37,496
Kenneth S. Booth	10,000		\$ 17.05	2/27/2014		
					6,567	\$ 218,878

(a) Represents shares of restricted stock granted under the Incentive Plan. These shares vest in full or in part based on the Company doubling adjusted earnings per share within a certain period of time. The adjusted earnings per share of the year preceding the grant serves as the baseline year. Vesting is as follows:

100% of the grant will vest if annual adjusted earnings per share doubles in any of the five years following the baseline year;

50% of the grant will vest if annual adjusted earnings per share doubles in the sixth year following the baseline year;

25% of the grant will vest if annual adjusted earnings per share doubles in the seventh year following the baseline year;

Otherwise 0%.

- (b) Value is equal to the closing market price of \$33.33 per share on the Nasdaq on December 31, 2006, multiplied by the number of restricted shares held.

**Table of Contents****OPTION EXERCISES AND STOCK VESTED**

The following table provides information with respect to options exercised by the named executive officers during 2006. There were no restricted shares that vested during 2006.

<b>Name</b>	<b>Option Awards</b>	
	<b>Number of Shares Acquired on Exercise (#)</b>	<b>Value Realized on Exercise (\$)</b>
Donald A. Foss		\$
Brett A. Roberts	150,001	\$ 2,888,122
Steven M. Jones	33,971	\$ 790,766
Michael W. Knoblauch	88,400	\$ 1,925,262
Kenneth S. Booth		\$

**Director Compensation**

The following table sets forth certain information regarding the compensation earned by or awarded to each non-employee director who served on the Company's Board of Directors in 2006. Directors who are employees of the Company are not compensated for their services as a director. All non-employee directors receive regular compensation under the same terms. Messrs. Craig and Leff are no longer members of the Board.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Option Awards (\$)(a)</b>	<b>Total (\$)</b>
	Glenda J. Chamberlain (b)	17,000	153,518
Harry E. Craig	18,000		18,000
Daniel P. Leff	11,500		11,500
Thomas N. Tryforos	19,000		19,000

- (a) The amount reported in this column represents the amount that has been expensed in the Company's 2006 financial statements in accordance with FAS 123(R) in connection with a stock option award previously granted under the Company's Director Stock Option Plan (the Director Plan). The amount is based on the grant date fair value of such award expensed over the requisite vesting period. No options were granted during 2006. The Director Plan was terminated as to future grants on May 13, 2004 with shareholder approval of the Incentive Plan. Assumptions used in the calculation of this amount are included in Note 9 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's 2006 Annual Report on Form 10-K.

- (b) As of December 31, 2006, Ms. Chamberlain had 100,000 stock options outstanding of which 40,000 were exercisable.

For 2006, all outside Board members received \$1,500 for each Board meeting attended plus \$500 for each committee meeting attended and were reimbursed for travel related expenses. Non-employee directors were also eligible to participate in the Company's Incentive Plan. There were no equity awards made under the Incentive Plan in 2006 to non-employee directors.

**Table of Contents**

**CERTAIN RELATIONSHIPS AND TRANSACTIONS**

In the normal course of business, the Company has maintained business relationships and engaged in certain transactions with companies owned by Donald Foss, the Company's majority shareholder and Chairman and a member of Mr. Foss' immediate family (the Foss Companies), and with certain automotive dealerships owned by Keith McCluskey, the Company's former President (the McCluskey Dealerships). Mr. McCluskey resigned from the Company effective September 1, 2006.

**Contract Assignments**

In the normal course of its business, the Company makes dealer loans to the Foss Companies, which totaled approximately \$17.9 million at December 31, 2006. The total amount of cash advanced for the year ended December 31, 2006 was \$13.8 million. The Company makes dealer loans to the Foss Companies and non-affiliated dealer-partners on the same basis.

In the normal course of its business, the Company makes dealer loans to the McCluskey Dealerships, which totaled approximately \$4.5 million at December 31, 2006. The total amount of cash advanced for the year ended December 31, 2006 was \$4.0 million. The Company makes Dealer Loans to the McCluskey Dealerships and non-affiliated dealer-partners on the same basis.

**Indebtedness**

Pursuant to an employment agreement with the Company's former President dated April 19, 2001, the Company loaned the McCluskey Dealerships approximately \$850,000. Obligations under this note, including all principal and interest, were paid in full on August 16, 2006. In addition, pursuant to the employment agreement, the Company loaned Mr. McCluskey \$478,000. The note, including all principal and interest, is due on April 19, 2011, bears interest at 5.22% beginning January 1, 2002, and is unsecured. The balance of the note including accrued interest was approximately \$610,575 as of March 31, 2007 (which was the largest amount outstanding since January 1, 2006). \$25,291 of interest accrued on the note during 2006, which was added to the outstanding principal amount owed.

**Other**

The Company paid for air transportation services provided by a company owned by the Company's majority shareholder and Chairman totaling \$0.1 million for the year ended December 31, 2006.

Beginning in 2000, the Company offered a line of credit arrangement to certain dealerships who were not participating in the Company's core program. The Company ceased offering this program to new dealerships in the third quarter of 2001 and has been reducing the amount of capital invested in this program since that time. Beginning in 2002, entities owned by the Company's majority shareholder and Chairman began offering secured lines of credit to third parties in a manner similar to the Company's prior program. In December of 2004, the Company's majority shareholder and Chairman sold his ownership interest in these entities but he continues to have indirect control over these entities and has the right or obligation to reacquire the 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 the Company's transactions with directors and executive officers of the Company and with firms that employ directors, as well as any other material related party transactions. Any such transaction would be reviewed by the Committee in light of whether it resulted in a conflict of interest for the individual and whether such transaction is fair to and in the best interest of the



Company. The terms of the transactions described above under Contract Assignments were previously approved by the Audit Committee; therefore, the Committee does not intend to re-approve these transactions and relationships unless they no longer occur in the ordinary course of the Company's business and the terms change such that the transactions no longer occur on the same terms as transactions with non-affiliated dealers.

**Table of Contents**

**INDEPENDENT ACCOUNTANTS**

**General**

The Audit Committee has appointed Grant Thornton LLP ( Grant Thornton ) as the Company s independent accountants to perform an integrated audit of the consolidated financial statements of the Company and the effectiveness of the Company s internal controls over financial reporting for 2007. Grant Thornton has served as the Company s independent accountants since their appointment by the Audit Committee on July 20, 2005, and acted as the Company s independent accountant in 2006 to audit the financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006. 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**

On June 24, 2005, the Audit Committee dismissed Deloitte & Touche LLP ( Deloitte ) as its independent registered public accounting firm, and on July 21, 2005 engaged Grant Thornton as its new independent registered public accounting firm to audit the Company s financial statements for the year ended December 31, 2005.

Deloitte did not issue an opinion with respect to the Company s financial statements for the year ended December 31, 2004. The audit report of Deloitte on the consolidated financial statements of the Company for the year ended December 31, 2003 did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principles.

During 2003 and 2004 and the subsequent interim period through the date of Deloitte s dismissal, there were no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Deloitte, would have caused Deloitte to make reference to the subject matter of the disagreement(s) in connection with its reports on the Company s financial statements for such years, except as described in the following two paragraphs:

On April 8, 2005, Deloitte informed the Company that it believed the Company should not account for loans as an originator of loans to consumers ( Consumer Loans ) but should instead account for its loans as a lender to its dealer-partners ( Dealer Loans ). The Company did not believe that there was only a single proper interpretation of GAAP for the Company s core business model given its unique characteristics, and accordingly, believed that both the Company s current methodology and Deloitte s proposed methodology were acceptable under GAAP. The Company had historically accounted for Consumer Loans as a loan originator.

On April 26, 2005, the Company submitted a letter to the staff of the Office of the Chief Accountant of the Securities and Exchange Commission requesting guidance from the SEC related to the proper accounting methodology for the Company s loan portfolio. On June 24, 2005, the Company received a response from the SEC to its request. The SEC informed the Company that it saw no reason to disagree with the position taken by Deloitte with respect to the proper method for recording automobile loans. In view of Deloitte s and the SEC s positions, the Company agreed to change its method for recording such loans and, as a result, was required to restate its previously reported financial results. The Audit Committee discussed the subject matter of the disagreement with Deloitte, and the Company authorized Deloitte to respond fully to the inquiries of the Company s successor auditors concerning this disagreement.

During 2003 and 2004 and the subsequent interim period through the date of Deloitte s dismissal, there were no reportable events, as defined in Item 304(a)(1)(v) of Regulation S-K, except as noted in the following paragraph:

During the course of the Company's 2004 year-end closing process, the Company identified errors in its accounting for income taxes in prior periods related primarily to its foreign subsidiaries. As a result of these errors, the Company concluded that a deficiency in internal controls related to income taxes existed at December 31, 2004, and that such deficiency constituted a material weakness, as defined by the Public Company Accounting Oversight Board's Auditing Standard No. 2. As a result of the material weakness related to income taxes, management was unable to conclude that the Company's internal controls over financial reporting were effective as of December 31, 2004. As a result of these errors, Deloitte advised the Company and the Audit Committee that it believed that the

**Table of Contents**

Company's financial statements for the year ended December 31, 2003 should be restated. Deloitte also communicated to the Audit Committee of the Board of Directors that it believed these errors were a result of a material weakness in internal control over accounting for income taxes. The Company concurred with Deloitte's conclusions.

The Company provided Deloitte with a copy of the foregoing disclosures. The Company requested that Deloitte furnish it with a letter addressed to the SEC stating whether or not it agrees with the above statements and if not, the respects in which it does not agree. Deloitte has provided such a letter.

During the years ended December 31, 2003, and December 31, 2004, and through July 20, 2005, neither the Company nor anyone acting on its behalf consulted with Grant Thornton regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K). During 2003, prior to becoming the Company's independent accountants, the Company discussed a draft response to a routine SEC comment letter with Grant Thornton. The Company was charged approximately \$1,000 for the discussions with Grant Thornton.

**Fees Paid to Independent Accountants**

The following table provides a summary of the aggregate fees billed by Grant Thornton for 2006 and 2005 (in thousands):

	<b>2006</b>	<b>2005</b>
Audit fees(1)	\$ 627	\$ 653
Audit-related fees(2)	111	
Tax fees		
All other fees		
Total fees	\$ 738	\$ 653

(1) Includes fees for the audit of the Company's annual consolidated financial statements, the audit of the effectiveness of the Company's internal controls over financial reporting, the attestation of management's report on the effectiveness of internal controls over financial reporting, and the review of the Company's interim consolidated financial statements.

(2) Includes fees for the audit of the Company's employee benefit plan, agreed-upon procedures for the Company's debt securitizations, assistance with the Company's implementation of FIN 48, and assistance with the Company's response to a comment letter received from the Securities and Exchange Commission.

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 the Company's independent accountants are permitted to perform for the Company 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. Since May 6, 2003, all services provided by the Company's independent auditors were pre-approved by the Audit Committee. The policy has not been waived in any instance.

**Table of Contents**

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

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act ) requires the Company s officers and directors, and persons who own more than 10% of a registered class of the Company s 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 the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received since January 1, 2006, and written representations from certain reporting persons, the Company believes that all filing requirements applicable to its officers, directors, and greater than 10% beneficial owners were complied with except for late filings previously disclosed and that Messrs. McCluskey and Craig each filed late one Form 4 reporting one transaction.

**OTHER BUSINESS MATTERS**

The only matters which 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 enclosed form of proxy intend to vote on such matters in accordance with their best judgment on such matters.

Enclosed with the Notice of Annual Meeting and this Proxy Statement is a copy of the Company s Annual Report on Form 10-K. The Company has also published a formal annual report which is available without charge to shareholders upon request. Address all requests, in writing, to the Investor Relations Department, Credit Acceptance Corporation, P.O. Box 513, Southfield, Michigan 48037.

**SHAREHOLDER PROPOSALS AND NOMINEES FOR 2008 ANNUAL MEETING**

**Shareholder Proposals**

Proposals by shareholders which are intended to be presented at the 2008 Annual Meeting of Shareholders must be submitted to the Secretary of the Company no later than December 26, 2007 in order to be considered for inclusion in the Company s 2008 proxy materials. The Company expects the persons named as proxies for the 2008 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 the Company with written notice of such proposal on or before March 12, 2008.

**Shareholder Nominees**

Shareholders desiring to recommend candidates for consideration and evaluation by the Nominating Committee for the 2008 Annual Meeting should submit such recommendations to the Chief Legal Officer of the Company not later than November 14, 2007. 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 the Company s 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. The Chief Legal Officer 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.

By Order of the Board of Directors,

Charles A. Pearce  
Corporate Secretary

April 25, 2007

**Table of Contents**

. NNNNNNNNNNNN NNNNNNNNNNNNNNNN C123456789 000004 000000000.000000 ext  
000000000.000000 ext MR A SAMPLE 000000000.000000 ext 000000000.000000 ext DESIGNATION  
(IF ANY) 000000000.000000 ext 000000000.000000 ext ADD 1 ADD 2 ADD 3 ADD 4 ADD 5  
NNNNNNNNN ADD 6 Using a **black ink** pen, mark your votes with an **X** as shown in X this example.  
Please do not write outside the designated areas. **Annual Meeting Proxy Card 3 PLEASE FOLD  
ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE  
ENCLOSED ENVELOPE.** 3 **A Election of Directors** The Board of Directors recommends a vote  
**FOR all the nominees listed.** 1. Nominees: **For Withhold For Withhold For Withhold + 01** Donald  
A. Foss 02 Glenda J. Chamberlain 03 Brett A. Roberts 04 Thomas N. Tryforos 05 Scott J. Vassalluzzo  
**B Non-Voting Items Change of Address** Please print new address below. **Meeting Attendance** Mark  
box to the right if you plan to attend the Annual Meeting. **C Authorized Signatures Sign Here This  
section must be completed for your instructions to be executed.** NOTE: Please sign your name(s)  
EXACTLY as your name(s) appear(s) on this proxy. All joint holders must sign. When signing as  
attorney, trustee, executor, administrator, guardian or corporate officer, please provide your FULL title.  
Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature  
2 Please keep signature within the box.

---



**Table of Contents**

**3 PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. 3 Proxy Credit Acceptance Corporation This Proxy is Solicited on Behalf of The Board of Directors For the Annual Meeting of Shareholders May 24, 2007** The undersigned hereby constitutes and appoints Donald A. Foss and Brett A. Roberts, and each of them, attorneys and proxies, with the power of substitution in each of them, to vote all the shares of Common Stock of Credit Acceptance Corporation that the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Corporation to be held on May 24, 2007 at 8:00 a.m., local time, and at any adjournments or postponements thereof, upon all matters properly coming before the meeting including, without limitation, those set forth in the related Notice of Meeting and Proxy Statement. This Proxy, when properly executed, will be voted in the manner directed. **IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED FOR THE NOMINEES NAMED ON THE OTHER SIDE.** In their discretion, to the extent permitted by law, the proxies are also authorized to vote upon such other matters as may properly come before the meeting, including the election of any person to the Board of Directors where a nominee named in the Proxy Statement dated April 25, 2007 is unable to serve or, for good cause, will not serve. The undersigned acknowledges receipt of the Notice of Annual Meeting of Shareholders and the Proxy Statement dated April 25, 2007, and the 2006 Annual Report to Shareholders, and ratifies all that the proxies or either of them or their substitutes may lawfully do or cause to be done by virtue hereof and revokes all former proxies. **YOUR VOTE IS IMPORTANT! PLEASE MARK, SIGN, DATE THIS PROXY ON THE REVERSE SIDE AND RETURN IT IN THE ACCOMPANYING ENVELOPE.** (Continued and to be voted on reverse side.)