

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Fiscal Year Ended December 31, 2013**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_**

Commission File Number 000-20202

**CREDIT ACCEPTANCE CORPORATION**

*(Exact Name of Registrant as Specified in its Charter)*

**Michigan**

*(State or other jurisdiction of incorporation or organization)*

**38-1999511**

*(I.R.S. Employer Identification No.)*

**25505 W. Twelve Mile Road**

**Southfield, Michigan**

*(Address of Principal Executive Offices)*

**48034-8339**

*(Zip Code)*

Registrant's telephone number, including area code: **(248) 353-2700**

Securities Registered Pursuant to Section 12(b) of the Act:

**Title of each class**

Common Stock

**Name of each exchange on which registered**

NASDAQ

Securities Registered Pursuant to Section 12(g) of the Act:

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of 8,719,007 shares of the Registrant's common stock held by non-affiliates on June 30, 2013 was approximately \$915.9 million. For purposes of this computation all officers, directors and 10% beneficial owners of the Registrant are assumed to be affiliates. Such determination should not be deemed an admission that such officers, directors and beneficial owners are, in fact, affiliates of the Registrant.

At February 7, 2014, there were 22,947,170 shares of the Registrant's common stock issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive Proxy Statement pertaining to the 2014 Annual Meeting of Shareholders (the "Proxy Statement") filed pursuant to Regulation 14A are incorporated herein by reference into Part III of this Annual Report on Form 10-K (this "Form 10-K").

CREDIT ACCEPTANCE CORPORATION  
YEAR ENDED DECEMBER 31, 2013

INDEX TO FORM 10-K

Item	Description	Page
<b>PART I</b>		
<u>1.</u>	<u>Business</u>	3
<u>1A.</u>	<u>Risk Factors</u>	13
<u>1B.</u>	<u>Unresolved Staff Comments</u>	19
<u>2.</u>	<u>Properties</u>	20
<u>3.</u>	<u>Legal Proceedings</u>	20
<u>4.</u>	<u>Mine Safety Disclosures</u>	20
<b>PART II</b>		
<u>5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	21
<u>6.</u>	<u>Selected Financial Data</u>	23
<u>7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
<u>8.</u>	<u>Financial Statements and Supplementary Data</u>	39
<u>9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	80
<u>9A.</u>	<u>Controls and Procedures</u>	80
<u>9B.</u>	<u>Other Information</u>	82
<b>PART III</b>		
<u>10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	82
<u>11.</u>	<u>Executive Compensation</u>	82
<u>12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	82
<u>13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	83
<u>14.</u>	<u>Principal Accounting Fees and Services</u>	83
<b>PART IV</b>		
<u>15.</u>	<u>Exhibits, Financial Statement Schedules</u>	83
	<u>Signatures</u>	84

---

**PART I****ITEM 1. BUSINESS****General**

Since 1972, Credit Acceptance Corporation (referred to as the “Company”, “Credit Acceptance”, “we”, “our” or “us”) has offered automobile dealers financing programs that enable them to sell vehicles to consumers, regardless of their credit history. Our financing programs are offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our product, but who actually end up qualifying for traditional financing.

Credit Acceptance was founded to collect retail installment contracts (referred to as “Consumer Loans”) originated by automobile dealerships owned by Donald Foss, our Chairman, founder, and significant shareholder. During the 1980s, we began to market this service to non-affiliated dealers and, at the same time, began to offer dealers a non-recourse cash payment (referred to as an “advance”) against anticipated future collections on Consumer Loans serviced for that dealer.

We refer to automobile dealers who participate in our programs and who share our commitment to changing consumers’ lives as “Dealers”. Upon enrollment in our financing programs, the Dealer enters into a Dealer servicing agreement with us that defines the legal relationship between Credit Acceptance and the Dealer. The Dealer servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on Consumer Loans from the Dealers to us. We are an indirect lender from a legal perspective, meaning the Consumer Loan is originated by the Dealer and assigned to us.

Consumers and Dealers benefit from our programs as follows:

*Consumers.* We help change the lives of consumers who do not qualify for conventional automobile financing by helping them obtain quality transportation. Without our financing programs, consumers are often unable to purchase a vehicle or they purchase an unreliable one. Further, as we report to the three national credit reporting agencies, an important ancillary benefit of our programs is that we provide a significant number of our consumers with an opportunity to improve their lives by improving their credit score and move on to more traditional sources of financing.

*Dealers.* Our programs increase Dealers’ profits in the following ways:

- Enables Dealers to sell cars to consumers who may not be able to obtain financing without our programs. In addition, consumers often become repeat customers by financing future vehicle purchases either through our programs or, after they have successfully established or reestablished their credit, through conventional financing.
- Allows Dealers to share in the profit, not only from the sale of the vehicle, but also from its financing.
- Enables Dealers to attract consumers by advertising “guaranteed credit approval”, where allowed by law. The consumers will often use other services of the Dealers and refer friends and relatives to them.
- Enables Dealers to attract consumers who mistakenly assume they do not qualify for conventional financing.

**Business Segment Information**

We currently operate in one reportable segment which represents our core business of offering Dealers financing programs and related products and services that enable them to sell vehicles to consumers, regardless of their credit history. For information regarding our one reportable segment and related entity-wide disclosures, see Note 16 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

## Principal Business

We have two programs: the Portfolio Program and the Purchase Program. Under the Portfolio Program, we advance money to Dealers (referred to as a “Dealer Loan”) in exchange for the right to service the underlying Consumer Loans. Under the Purchase Program, we buy the Consumer Loans from the Dealers (referred to as a “Purchased Loan”) and keep all amounts collected from the consumer. Dealer Loans and Purchased Loans are collectively referred to as “Loans”. The following table shows the percentage of Consumer Loans assigned to us based on unit volumes under each of the programs for each of the last three years:

For the Years Ended December 31,	Portfolio Program	Purchase Program
2011	92.5%	7.5%
2012	93.7%	6.3%
2013	93.5%	6.5%

### Portfolio Program

As payment for the vehicle, the Dealer generally receives the following:

- a down payment from the consumer;
- a cash advance from us; and
- after the advance has been recovered by us, the cash from payments made on the Consumer Loan, net of certain collection costs and our servicing fee (“Dealer Holdback”).

We record the amount advanced to the Dealer as a Dealer Loan, which is classified within Loans receivable in our consolidated balance sheets. Cash advanced to the Dealer is automatically assigned to the Dealer’s open pool of advances. We generally require Dealers to group advances into pools of at least 100 Consumer Loans. At the Dealer’s option, a pool containing at least 100 Consumer Loans can be closed and subsequent advances assigned to a new pool. All advances within a Dealer’s pool are secured by the future collections on the related Consumer Loans assigned to the pool. For Dealers with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for Dealer Holdback. We perfect our security interest in the Dealer Loans by taking possession of the Consumer Loans, which list us as lien holder on the vehicle title.

The Dealer servicing agreement provides that collections received by us during a calendar month on Consumer Loans assigned by a Dealer are applied on a pool-by-pool basis as follows:

- First, to reimburse us for certain collection costs;
- Second, to pay us our servicing fee, which generally equals 20% of collections;
- Third, to reduce the aggregate advance balance and to pay any other amounts due from the Dealer to us; and
- Fourth, to the Dealer as payment of Dealer Holdback.

If the collections on Consumer Loans from a Dealer’s pool are not sufficient to repay the advance balance and any other amounts due to us, the Dealer will not receive Dealer Holdback.

Dealers have an opportunity to receive an accelerated Dealer Holdback payment each time 100 Consumer Loans have been assigned to us. The amount paid to the Dealer is calculated using a formula that considers the forecasted collections and the advance balance on the related Consumer Loans.

Since typically the combination of the advance and the consumer’s down payment provides the Dealer with a cash profit at the time of sale, the Dealer’s risk in the Consumer Loan is limited. We cannot demand repayment of the advance from the Dealer except in the event the Dealer is in default of the Dealer servicing agreement. Advances are made only after the consumer and Dealer have signed a Consumer Loan contract, we have received the original Consumer Loan contract and supporting documentation, and we have approved all of the related stipulations for funding. The Dealer can also opt to repurchase Consumer Loans that have been assigned to us under the Portfolio Program, at their discretion, for a fee.

For accounting purposes, the transactions described under the Portfolio Program are not considered to be loans to consumers. Instead, our accounting reflects that of a lender to the Dealer. The classification as a Dealer Loan for accounting purposes is primarily a result of (1) the Dealer's financial interest in the Consumer Loan and (2) certain elements of our legal relationship with the Dealer.

#### Purchase Program

The Purchase Program differs from our Portfolio Program in that the Dealer receives a one-time payment from us at the time of assignment to purchase the Consumer Loan instead of a cash advance at the time of assignment and future Dealer Holdback payments. For accounting purposes, the transactions described under the Purchase Program are considered to be originated by the Dealer and then purchased by us.

#### Program Enrollment

Dealers may enroll in our program by choosing one of our two enrollment options (referred to as "Option A" and "Option B"). In recent years, the terms of Option A have remained consistent while the terms of Option B have varied. The following table summarizes the terms of our enrollment options for the three year period ending December 31, 2013:

Effective Period	Option A	Option B
Since June 1, 2011	Upfront, one-time fee of \$9,850	Agreement to allow us to retain 50% of their first accelerated Dealer Holdback payment
Prior to June 1, 2011	Upfront, one-time fee of \$9,850	Upfront, one-time fee of \$1,950 and agreement to allow us to retain 50% of their first accelerated Dealer Holdback payment

Dealers are granted access to the Portfolio Program upon enrollment. Access to the Purchase Program is limited and is typically only granted to Dealers that either have received their first accelerated Dealer Holdback payment under the Portfolio Program or are franchise dealerships.

#### Revenue Sources

Credit Acceptance derives its revenues from the following principal sources:

- Finance charges, which are comprised of: (1) servicing fees earned as a result of servicing Consumer Loans assigned to us by Dealers under the Portfolio Program, (2) finance charge income from Purchased Loans, (3) fees earned from our third party ancillary product offerings, (4) monthly program fees of \$599, charged to Dealers under the Portfolio Program; and (5) fees associated with certain Loans;
- Premiums earned on the reinsurance of vehicle service contracts; and
- Other income, which primarily consists of: vendor fees, Dealer support products and services, ancillary product profit sharing income and Dealer enrollment fees. For additional information, see Note 2 to the consolidated financial statements contained in Item 8 to this Form 10-K, which is incorporated herein by reference.

The following table sets forth the percent relationship to total revenue of each of these sources:

Percent of Total Revenue	For the Years Ended December 31,		
	2013	2012	2011
Finance charges	86.6%	88.3%	87.7%
Premiums earned	7.5%	7.7%	7.6%
Other income	5.9%	4.0%	4.7%
Total revenue	100.0%	100.0%	100.0%

Our business is seasonal with peak Consumer Loan acceptances and collections occurring during the first quarter of the year. However, this seasonality does not have a material impact on our interim results.

Operations

*Sales and Marketing.* Our target market is approximately 56,000 independent and franchised automobile dealers in the United States. We have market area managers located throughout the United States that market our programs to prospective Dealers, enroll new Dealers, and support active Dealers. The number of Dealer enrollments and active Dealers for each of the last three years are presented in the table below:

For the Years Ended December 31,	Dealer Enrollments	Active Dealers (1)
2011	1,953	3,998
2012	2,519	5,319
2013	2,761	6,394

(1) Active Dealers are Dealers who have received funding for at least one Loan during the period.

Once Dealers have enrolled in our programs, the market area managers work closely with the newly enrolled Dealers to help them successfully launch our programs within their dealerships. Market area managers also provide active Dealers with ongoing support and consulting focused on improving the Dealers' success on our programs, including assistance with increasing the volume and performance of Consumer Loan assignments.

*Dealer Servicing Agreement.* As a part of the enrollment process, a new Dealer is required to enter into a Dealer servicing agreement with Credit Acceptance that defines the legal relationship between Credit Acceptance and the Dealer. The Dealer servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on Consumer Loans from the Dealers to us. Under the typical Dealer servicing agreement, a Dealer represents that it will only assign Consumer Loans to us that satisfy criteria established by us, meet certain conditions with respect to their binding nature and the status of the security interest in the purchased vehicle, and comply with applicable state and federal laws and regulations.

The typical Dealer servicing agreement may be terminated by us or by the Dealer upon written notice. We may terminate the Dealer servicing agreement immediately in the case of an event of default by the Dealer. Events of default include, among other things:

- the Dealer's refusal to allow us to audit its records relating to the Consumer Loans assigned to us;
- the Dealer, without our consent, is dissolved; merges or consolidates with an entity not affiliated with the Dealer; or sells a material part of its assets outside the course of its business to an entity not affiliated with the Dealer; or
- the appointment of a receiver for, or the bankruptcy or insolvency of, the Dealer.

While a Dealer can cease assigning Consumer Loans to us at any time without terminating the Dealer servicing agreement, if the Dealer elects to terminate the Dealer servicing agreement or in the event of a default, we have the right to require that the Dealer immediately pay us:

- any unreimbursed collection costs on Dealer Loans;
- any unpaid advances and all amounts owed by the Dealer to us; and
- a termination fee equal to 15% of the then outstanding amount of the Consumer Loans assigned to us.

Upon receipt of such amounts in full, we reassign the Consumer Loans and our security interest in the financed vehicles to the Dealer.

In the event of a termination of the Dealer servicing agreement by us, we may continue to service Consumer Loans assigned by Dealers accepted prior to termination in the normal course of business without charging a termination fee.

*Consumer Loan Assignment.* Once a Dealer has enrolled in our programs, the Dealer may begin assigning Consumer Loans to us. For accounting and financial reporting purposes, a Consumer Loan is considered to have been assigned to us after all of the following has occurred:

- the consumer and Dealer have signed a Consumer Loan contract;
- we have received the original Consumer Loan contract and supporting documentation;
- we have approved all of the related stipulations for funding; and
- we have provided funding to the Dealer in the form of either an advance under the Portfolio Program or one-time purchase payment under the Purchase Program.

A Consumer Loan is originated by the Dealer when a consumer enters into a contract with a Dealer that sets forth the terms of the agreement between the consumer and the Dealer for the payment of the purchase price of the vehicle. The amount of the Consumer Loan consists of the total principal and interest that the consumer is required to pay over the term of the Consumer Loan. Consumer Loans are written on a contract form provided by us. Although the Dealer is named in the Consumer Loan contract, the Dealer generally does not have legal ownership of the Consumer Loan for more than a moment and we, not the Dealer, are listed as lien holder on the vehicle title. Consumers are obligated to make payments on the Consumer Loan directly to us, and any failure to make such payments will result in us pursuing payment through collection efforts.

All Consumer Loans submitted to us for assignment are processed through our Credit Approval Processing System (“CAPS”). CAPS allows Dealers to input a consumer’s credit application and view the response from us via the Internet. CAPS allows Dealers to: (1) receive a quick approval from us; (2) interact with our proprietary credit scoring system to optimize the structure of each transaction prior to delivery; and (3) create and print Consumer Loan documents. All responses include the amount of funding (advance for a Dealer Loan or purchase price for a Purchased Loan), as well as any stipulations required for funding. The amount of funding is determined using a formula which considers a number of factors including the timing and amount of cash flows expected on the related Consumer Loan and our target return on capital at the time the Consumer Loan is submitted to us for assignment. The estimated future cash flows are determined based upon our proprietary credit scoring system, which considers numerous variables, including attributes contained in the consumer’s credit bureau report, data contained in the consumer’s credit application, the structure of the proposed transaction, vehicle information and other factors, to calculate a composite credit score that corresponds to an expected collection rate. Our proprietary credit scoring system forecasts the collection rate based upon the historical performance of Consumer Loans in our portfolio that share similar characteristics. The performance of our proprietary credit scoring system is evaluated monthly by comparing projected to actual Consumer Loan performance. Adjustments are made to our proprietary credit scoring system as necessary. For additional information on adjustments to forecasted collection rates, please see the Critical Accounting Estimates section in Item 7 of this Form 10-K, which is incorporated herein by reference.

While a Dealer can submit any legally compliant Consumer Loan to us for assignment, the decision whether to provide funding to the Dealer and the amount of any funding is made solely by us. Through our Dealer Service Center (“DSC”) department, we perform all significant functions relating to the processing of the Consumer Loan applications and bear certain costs of Consumer Loan assignment, including the cost of assessing the adequacy of Consumer Loan documentation, compliance with underwriting and legal guidelines and the cost of verifying employment, residence and other information provided by the Dealer. We used a company in India to support the DSC in reviewing Consumer Loan documentation for legal compliance until February 2013.

We audit Consumer Loan files for legal and underwriting guidelines on a daily basis in order to assess whether our Dealers are operating in accordance with the terms and conditions of our Dealer servicing agreement. We occasionally identify breaches of the Dealer servicing agreement and depending upon the circumstances, and at our discretion, we may change pricing or charge the Dealer fees for future Consumer Loan assignments; require the Consumer Loan(s) to be repurchased; or terminate our relationship with the Dealer.

Our business model allows us to share the risk and reward of collecting on the Consumer Loans with the Dealers. Such sharing is intended to motivate the Dealer to assign better quality Consumer Loans, follow our underwriting guidelines, comply with various legal regulations, meet our credit compliance requirements, and provide appropriate service and support to the consumer after the sale. In addition, the DSC works closely with Dealers to assist them in resolving any documentation deficiencies or funding stipulations. We believe this arrangement aligns our interests with the interests of the Dealer and the consumer.

We measure various criteria for each Dealer against other Dealers in their area as well as the top performing Dealers. Dealers are assigned a Dealer rating based upon the performance of their Consumer Loans in both the Portfolio and Purchase Programs as well as other criteria. The Dealer rating is one of the factors used to determine the amount paid to Dealers as an advance or to acquire a Purchased Loan. We provide each Dealer a monthly statement summarizing all activity that occurred on their Consumer Loan assignments.

Information on our Consumer Loans is presented in the following table:

Average Consumer Loan Data	For the Years Ended December 31,					
	2013		2012		2011	
Average size of Consumer Loan accepted	\$	15,445	\$	15,468	\$	15,686
Percentage change in average size of Consumer Loan		-0.1%		-1.4%		8.3%
Average initial term (in months)		47		47		46

*Servicing.* Our largest group of collectors services Consumer Loans that are in the early stages of delinquency. Collection efforts typically consist of placing a call to the consumer within one day of the missed payment due date, although efforts may begin later for some segments of accounts. Consumer Loans are segmented into dialing pools by various phone contact profiles in an effort to maximize contact with the consumer. Our collectors work with consumers to attempt to reach a solution that will help them avoid becoming further past due and get them current where possible.

The decision to repossess a vehicle is based on statistical models or policy based criteria. When a Consumer Loan is approved for repossession, the account is transferred to our repossession team. Repossession personnel continue to service the Consumer Loan as it is being assigned to a third party repossession contractor, who works on a contingency fee basis. Once a vehicle has been repossessed, the consumer can negotiate to redeem the vehicle, whereupon the vehicle is returned to the consumer in exchange for paying off the Consumer Loan balance; or, where appropriate or if required by law, the vehicle is returned to the consumer and the Consumer Loan is reinstated in exchange for a payment that reduces or eliminates the past due balance. If this process is unsuccessful, the vehicle is sold at a wholesale automobile auction. Prior to sale, the vehicle is typically inspected by a representative at the auction who provides repair and reconditioning recommendations. Alternatively, our remarketing representatives may inspect the vehicle directly. Our remarketing representatives then authorize any repair and reconditioning work in order to maximize the net sale proceeds at auction.

If the vehicle sale proceeds are not sufficient to satisfy the balance owing on the Consumer Loan, the Consumer Loan is serviced by either: (1) our internal collection team, in the event the consumer is willing to make payments on the deficiency balance; or (2) where permitted by law, our external collection team, if it is believed that legal action is required to reduce the deficiency balance owing on the Consumer Loan. Our external collection team generally assigns Consumer Loans to third party collection attorneys who work on a contingency fee basis.

Collectors rely on two systems; the Collection System (“CS”) and the Loan Servicing System (“LSS”). The CS interfaces with a predictive dialer and records all activity on a Consumer Loan, including details of past phone conversations with the consumer, collection letters sent, promises to pay, broken promises, repossession orders and collection attorney activity. The LSS maintains a record of all transactions relating to Consumer Loan assignments and is a primary source of data utilized to:

- determine the outstanding balance of the Consumer Loans;
- forecast future collections;
- establish the amount of revenue recognized by us;
- calculate Dealer Holdback payments;
- analyze the profitability of our program; and
- evaluate our proprietary credit scoring system.

We outsourced a portion of our collection function to a company in India until February 2013. These outsourced collectors serviced accounts using the CS and typically serviced accounts that were less than sixty days past due.



## Ancillary Products

We provide Dealers the ability to offer vehicle service contracts to consumers through our relationships with Third Party Providers (“TPPs”). A vehicle service contract provides the consumer protection by paying for the repair or replacement of certain components of the vehicle in the event of a mechanical failure. We provide Dealers with an additional advance based on the retail price of the vehicle service contract. TPPs process claims on vehicle service contracts that are underwritten by third party insurers. We receive a fee for all vehicle service contracts sold by our Dealers when the vehicle is financed by us. The fee is included in the retail price of the vehicle service contract which is added to the Consumer Loan. We recognize our fee from the vehicle service contracts as part of finance charges on a level-yield basis based upon forecasted cash flows. We bear the risk of loss for claims on certain vehicle service contracts that are reinsured by us. We market the vehicle service contracts directly to our Dealers. During 2012, we entered into an agreement with one of our TPPs that allows us to receive profit sharing payments depending on the performance of the vehicle service contracts. Profit sharing payments from the TPP are received twice a year, if eligible.

VSC Re Company (“VSC Re”), our wholly-owned subsidiary, is engaged in the business of reinsuring coverage under vehicle service contracts sold to consumers by Dealers on vehicles financed by us. VSC Re currently reinsures vehicle service contracts that are underwritten by one of our third party insurers. Vehicle service contract premiums, which represent the selling price of the vehicle service contract to the consumer, less fees and certain administrative costs, are contributed to trust accounts controlled by VSC Re. These premiums are used to fund claims covered under the vehicle service contracts. VSC Re is a bankruptcy remote entity. As such, our exposure to fund claims is limited to the trust assets controlled by VSC Re and our net investment in VSC Re.

We provide Dealers the ability to offer a Guaranteed Asset Protection (“GAP”) product to consumers through our relationships with TPPs. GAP provides the consumer protection by paying the difference between the loan balance and the amount covered by the consumer's insurance policy in the event of a total loss of the vehicle due to severe damage or theft. We provide Dealers with an additional advance based on the retail price of the GAP contract. TPPs process claims on GAP contracts that are underwritten by third party insurers. We receive a fee for all GAP contracts sold by our Dealers when the vehicle is financed by us, and do not bear any risk of loss for claims. The fee is included in the retail price of the GAP contract which is added to the Consumer Loan. We recognize our fee from the GAP contracts as part of finance charges on a level-yield basis based upon forecasted cash flows. Our agreement with one of our TPPs allows us to receive profit sharing payments depending on the performance of the GAP program. Profit sharing payments from the TPP are received once a year, if eligible.

We provide Dealers in certain states the ability to purchase Global Positioning Systems (“GPS”) with Starter Interrupt Devices (“SID”) through our relationships with TPPs. Through this program, Dealers can install a GPS-based SID (“GPS-SID”) on vehicles financed by us that can be activated if the consumer fails to make payments on their account, and can result in the prompt repossession of the vehicle. Dealers purchase the GPS-SID directly from the TPPs. The TPPs pay us a fee for each device sold, at which time the fee revenue is recognized in other income within our consolidated statements of income.

## Competition

The market for consumers who do not qualify for conventional automobile financing is large and highly competitive. The market is currently served by “buy here, pay here” dealerships, banks, captive finance affiliates of automobile manufacturers, credit unions and independent finance companies both publicly and privately owned. Many of these companies are much larger and have greater resources than us. We compete by offering a profitable and efficient method for Dealers to finance consumers who would be more difficult or less profitable to finance through other methods. In addition, we compete on the basis of the level of service provided by our DSC and sales personnel.

## Customer and Geographic Concentrations

No single Dealer accounted for more than 10% of total revenues during any of the last three years. Additionally, no single Dealer's Loans receivable balance accounted for more than 10% of total Loans receivable balance as of December 31, 2013 or 2012. The following tables provide information regarding the five states that were responsible for the largest dollar volume of Consumer Loan assignments and the related number of active Dealers during 2013, 2012 and 2011:

For the Year Ended December 31, 2013				
(Dollars in millions)	Consumer Loan Assignments		Active Dealers (2)	
	Dollar Volume			
	(1)	% of Total	Number	% of Total
Michigan	\$ 154.1	10.4%	502	7.9%
New York	147.9	10.0%	460	7.2%
Texas	81.5	5.5%	392	6.1%
Ohio	73.9	5.0%	359	5.6%
Pennsylvania	68.9	4.7%	306	4.8%
All other states	954.3	64.4%	4,375	68.4%
Total	\$ 1,480.6	100.0%	6,394	100.0%

For the Year Ended December 31, 2012				
(Dollars in millions)	Consumer Loan Assignments		Active Dealers (2)	
	Dollar Volume			
	(1)	% of Total	Number	% of Total
Michigan	\$ 145.7	10.7%	406	7.6%
New York	112.4	8.2%	352	6.6%
Texas	84.3	6.2%	376	7.1%
Ohio	76.0	5.6%	303	5.7%
Pennsylvania	73.6	5.4%	251	4.7%
All other states	870.4	63.9%	3,631	68.3%
Total	\$ 1,362.4	100.0%	5,319	100.0%

For the Year Ended December 31, 2011				
(Dollars in millions)	Consumer Loan Assignments		Active Dealers (2)	
	Dollar Volume			
	(1)	% of Total	Number	% of Total
Michigan	\$ 135.3	10.6%	282	7.1%
New York	98.6	7.7%	228	5.7%
Texas	80.9	6.3%	313	7.8%
Ohio	73.8	5.8%	243	6.1%
Pennsylvania	66.9	5.3%	184	4.6%
All other states	819.2	64.3%	2,748	68.7%
Total	\$ 1,274.7	100.0%	3,998	100.0%

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

(2) Active Dealers are Dealers who have received funding for at least one Loan during the year.

## Geographic Financial Information

For the three years ended December 31, 2013, 2012 and 2011, all of our revenues were derived from the United States. As of December 31, 2013 and 2012, all of our long-lived assets were located in the United States.

## Regulation

Our business is subject to laws and regulations, including the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and various other state and federal laws and regulations. These laws and regulations, among other things, require licensing and qualification; limit interest rates, fees and other charges associated with the Consumer Loans assigned to us; require specified disclosures by Dealers to consumers; govern the sale and terms of ancillary products; and define the rights to repossess and sell collateral. Failure to comply with these laws or regulations could have a material adverse effect on us by, among other things, limiting the jurisdictions in which we may operate, restricting our ability to realize the value of the collateral securing the Consumer Loans, making it more costly or burdensome to do business or resulting in potential liability. The volume of new or modified laws and regulations has increased in recent years and has increased significantly in response to issues arising with respect to consumer lending. From time to time, legislation and regulations are enacted which increase the cost of doing business, limit or expand permissible activities or affect the competitive balance among financial services providers. Proposals to change the laws and regulations governing the operations and taxation of financial institutions and financial services providers are frequently made in the U.S. Congress, in the state legislatures and by various regulatory agencies. This legislation may change our operating environment in substantial and unpredictable ways and may have a material adverse effect on our business.

In July 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was enacted and a number of its provisions became effective in July 2011. The Dodd-Frank Act restructured and enhanced the regulation and supervision of the financial services industry and created the Consumer Financial Protection Bureau (the “CFPB”). The CFPB has rulemaking and enforcement authority over certain non-depository institutions, including us. The CFPB is specifically authorized, among other things, to take actions to prevent companies providing consumer financial products or services and their service providers from engaging in unfair, deceptive or abusive acts or practices in connection with consumer financial products and services, and to issue rules requiring enhanced disclosures for consumer financial products or services. Under the Dodd-Frank Act, the CFPB also may restrict the use of pre-dispute mandatory arbitration clauses in contracts between covered persons and consumers for a consumer financial product or service. The CFPB also has authority to interpret, enforce, and issue regulations implementing enumerated consumer laws, including certain laws that apply to our business. Further, the CFPB has issued rules allowing it to supervise non-depository “larger participants” in certain markets for consumer financial services and products, and may in the future issue rules to supervise non-depository larger participants in the indirect auto lending business, which may include us.

The Dodd-Frank Act and regulations promulgated thereunder, including by the CFPB, are likely to affect our cost of doing business, may limit or expand our permissible activities, may affect the competitive balance within our industry and market areas and could have a material adverse effect on us. For example, on March 21, 2013, the CFPB issued Bulletin 2013-02 addressing Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act, in which the CFPB stated that policies of indirect auto lenders that allow auto dealers to mark up lender-established buy rates and that compensate dealers for those markups in the form of dealer reserve could present a risk that they will result in impermissible pricing disparities on the basis of race, national origin, and potentially other prohibited bases. On November 14, 2013, the CFPB hosted a public forum on indirect auto lending fair lending compliance with the Equal Credit Opportunity Act. Our management continues to assess the Dodd-Frank Act’s probable impact on our business, financial condition and results of operations, and to monitor developments involving the entities charged with promulgating regulations thereunder. However, the ultimate effect of the Dodd-Frank Act on the financial services industry in general, and on us in particular, is uncertain at this time.

In addition, governmental regulations which would deplete the supply of used vehicles, such as environmental protection regulations governing emissions or fuel consumption, could have a material adverse effect on us.

Our Dealers must also comply with credit and trade practice statutes and regulations. Failure of our Dealers to comply with these statutes and regulations could result in consumers having rights of rescission and other remedies that could have a material adverse effect on us.

The sale of vehicle service contracts and GAP product by Dealers in connection with Consumer Loans assigned to us from Dealers is also subject to state laws and regulations. As we are the holder of the Consumer Loans that may, in part, finance these products, some of these state laws and regulations may apply to our servicing and collection of the Consumer Loans. Although these laws and regulations do not significantly affect our business, there can be no assurance that insurance or other regulatory authorities in the jurisdictions in which these products are offered by Dealers will not seek to regulate or restrict the operation of our business in these jurisdictions. Any regulation or restriction of our business in these jurisdictions could materially adversely affect the income received from these products.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable laws and regulations. Our agreements with Dealers provide that the Dealer shall indemnify us with respect to any loss or expense we incur as a result of the Dealer's failure to comply with applicable laws and regulations.

## Team Members

Our team members are organized into three operating functions: Originations, Servicing, and Support.

*Originations.* The originations function includes team members that are responsible for marketing our programs to prospective Dealers, enrolling new Dealers, and supporting active Dealers. Originations also includes team members responsible for processing new Consumer Loan assignments.

*Servicing.* The servicing function includes team members that are responsible for servicing the Consumer Loans. The majority of these team members are responsible for collection activities on delinquent Consumer Loans.

*Support.* The support function includes team members that are responsible for information technology, finance, corporate legal, quality assurance, analytics, training & development and human resources activities.

As of December 31, 2013, we had 1,317 full and part-time team members. Our team members have no union affiliations and we believe our relationship with our team members is in good standing. The table below presents team members by operating function:

Operating Function	Number of Team Members As of December 31,		
	2013	2012	2011
Originations	376	386	306
Servicing	663	622	491
Support	278	256	240
Total	1,317	1,264	1,037

## Available Information

Our Internet address is [creditacceptance.com](http://creditacceptance.com). We make available, free of charge on the web site, copies of reports we file with or furnish to the Securities and Exchange Commission ("SEC") as soon as reasonably practicable after we electronically file or furnish such reports.

**ITEM 1A. RISK FACTORS****Our inability to accurately forecast and estimate the amount and timing of future collections could have a material adverse effect on results of operations.**

Substantially all of the Consumer Loans assigned to us are made to individuals with impaired or limited credit histories or higher debt-to-income ratios than are permitted by traditional lenders. Consumer Loans made to these individuals generally entail a higher risk of delinquency, default and repossession and higher losses than loans made to consumers with better credit. Since most of our revenue and cash flows from operations are generated from these Consumer Loans, our ability to accurately forecast Consumer Loan performance is critical to our business and financial results. At the time of assignment, we forecast future expected cash flows from the Consumer Loan. Based on these forecasts, which include estimates for wholesale vehicle prices in the event of vehicle repossession and sale, we make an advance or one-time purchase payment to the related Dealer at a level designed to achieve an acceptable return on capital. We continue to forecast the expected collection rate of each Consumer Loan subsequent to assignment. These forecasts also serve as a critical assumption in our accounting for recognizing finance charge income and determining our allowance for credit losses. Please see the Critical Accounting Estimates – Finance Charge Revenue & Allowance for Credit Losses section in Item 7 of this Form 10-K, which is incorporated herein by reference. If Consumer Loan performance equals or exceeds original expectations, it is likely our target return on capital will be achieved. However, actual cash flows from any individual Consumer Loan are often different than cash flows estimated at the time of assignment. There can be no assurance that our forecasts will be accurate or that Consumer Loan performance will be as expected. Recent economic conditions have made forecasts regarding the performance of Consumer Loans more difficult. In the event that our forecasts are not accurate, our financial position, liquidity and results of operations could be materially adversely affected.

**We may be unable to execute our business strategy due to current economic conditions.**

Our financial position, liquidity and results of operations depend on management's ability to execute our business strategy. Key factors involved in the execution of our business strategy include achieving our desired Consumer Loan assignment volume, continued and successful use of CAPS and pricing strategy, the use of effective credit risk management techniques and servicing strategies, continued investment in technology to support operating efficiency and continued access to funding and liquidity sources. Although our pricing strategy is intended to maximize the amount of economic profit we generate, within the confines of capital and infrastructure constraints, there can be no assurance that this strategy will have its intended effect. Please see the Consumer Loan Volume section in Item 7 of this Form 10-K, which is incorporated herein by reference. Our failure or inability to execute any element of our business strategy could materially adversely affect our financial position, liquidity and results of operations.

**We may be unable to continue to access or renew funding sources and obtain capital needed to maintain and grow our business.**

We use debt financing to fund new Loans and pay Dealer Holdback. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) revolving secured warehouse ("Warehouse") facilities; (3) asset-backed secured financings ("Term ABS"); and (4) senior notes. We cannot guarantee that the revolving secured line of credit or the Warehouse facilities will continue to be available beyond their current maturity dates, on acceptable terms, or at all, or that we will be able to obtain additional financing on acceptable terms or at all. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, our financial position, our results of operations, and the capacity for additional borrowing under our existing financing arrangements. If our various financing alternatives were to become limited or unavailable, we may be unable to maintain or grow Consumer Loan volume at the level that we anticipate and our operations could be materially adversely affected.

**The terms of our debt limit how we conduct our business.**

The agreements that govern our debt contain covenants that restrict our ability to, among other things:

- incur and guarantee debt;
- pay dividends or make other distributions on or redeem or repurchase our stock;
- make investments or acquisitions;
- create liens on our assets;
- sell assets;
- merge with or into other companies; and
- enter into transactions with stockholders and other affiliates.

Some of our debt agreements also impose requirements that we maintain specified financial measures not in excess of, or not below, specified levels. In particular, our revolving credit facility requires, among other things, that we maintain (i) as of the end of each fiscal quarter, a ratio of consolidated funded debt to consolidated tangible net worth at or below a specified maximum; (ii) as of the end of each fiscal quarter calculated for the two fiscal quarters then ending, consolidated net income of not less than a specified minimum; and (iii) as of the end of each fiscal quarter, a ratio of consolidated income available for fixed charges for the period of four consecutive fiscal quarters most recently ended to consolidated fixed charges for that period of not less than a specified minimum. These covenants limit the manner in which we can conduct our business and could prevent us from engaging in favorable business activities or financing future operations and capital needs and impair our ability to successfully execute our strategy and operate our business.

A breach of any of the covenants in our debt instruments would result in an event of default thereunder if not promptly cured or waived. Any continuing default would permit the creditors to accelerate the related debt, which could also result in the acceleration of other debt containing a cross-acceleration or cross-default provision. In addition, an event of default under our revolving credit facility would permit the lenders thereunder to terminate all commitments to extend further credit under our revolving credit facility. Furthermore, if we were unable to repay the amounts due and payable under our revolving credit facility or other secured debt, the lenders thereunder could cause the collateral agent to proceed against the collateral securing that debt. In the event our creditors accelerate the repayment of our debt, there can be no assurance that we would have sufficient assets to repay that debt, and our financial condition, liquidity and results of operations would suffer.

**A violation of the terms of our Term ABS facilities or Warehouse facilities could have a materially adverse impact on our operations.**

Under our Term ABS facilities and our Warehouse facilities, (1) we have various obligations and covenants as servicer and custodian of the Consumer Loans contributed thereto and in our individual capacity and (2) the special purpose subsidiaries to which we contribute Consumer Loans have various obligations and covenants. A violation of any of these obligations or covenants by us or the special purpose subsidiaries, respectively, may result in our being unable to obtain additional funding under our Warehouse facilities, the termination of our servicing rights and the loss of servicing fees, and may result in amounts outstanding under our Term ABS financings and our Warehouse facilities becoming immediately due and payable. In addition, the violation of any financial covenant under our revolving secured line of credit facility is an event of default or termination event under the Term ABS facilities and our Warehouse facilities. The lack of availability from any or all of these Term ABS facilities and Warehouse facilities may have a material adverse effect on our financial position, liquidity, and results of operations.

**The conditions of the U.S. and international capital markets may adversely affect lenders with which we have relationships, causing us to incur additional costs and reducing our sources of liquidity, which may adversely affect our financial position, liquidity and results of operations.**

In recent years, there has been turbulence in the global capital markets and the overall economy. Such turbulence can result in disruptions in the financial sector and affect lenders with which we have relationships. Disruptions in the financial sector may increase our exposure to credit risk and adversely affect the ability of lenders to perform under the terms of their lending arrangements with us. Failure by our lenders to perform under the terms of our lending arrangements could cause us to incur additional costs that may adversely affect our liquidity, financial condition and results of operations. While overall market conditions have improved, there can be no assurance that future disruptions in the financial sector will not occur that could have similar adverse effects on our business.

**Our substantial debt could negatively impact our business, prevent us from satisfying our debt obligations and adversely affect our financial condition.**

We have a substantial amount of debt. The substantial amount of our debt could have important consequences, including the following:

- our ability to obtain additional financing for Consumer Loan assignments, working capital, debt refinancing or other purposes could be impaired;
- a substantial portion of our cash flows from operations will be dedicated to paying principal and interest on our debt, reducing funds available for other purposes;
- we may be vulnerable to interest rate increases, as some of our borrowings, including those under our revolving credit facility, bear interest at variable rates;
- we could be more vulnerable to adverse developments in our industry or in general economic conditions;
- we may be restricted from taking advantage of business opportunities or making strategic acquisitions; and
- we may be limited in our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate.

**Due to competition from traditional financing sources and non-traditional lenders, we may not be able to compete successfully.**

The automobile finance market for consumers who do not qualify for conventional automobile financing is large and highly competitive. The market is served by a variety of companies including "buy here, pay here" dealerships. The market is also currently served by banks, captive finance affiliates of automobile manufacturers, credit unions and independent finance companies both publicly and privately owned. Many of these companies are much larger and have greater financial resources than are available to us, and many have long standing relationships with automobile dealerships. Providers of automobile financing have traditionally competed based on the interest rate charged, the quality of credit accepted, the flexibility of loan terms offered and the quality of service provided to dealers and consumers. Due to increasing competition in the automobile finance market, the average loan volume per our active Dealers declined 11.5% for the year ended December 31, 2013. During 2012, we also increased the advance rate on Dealer Loans as a result of increased competition. We may be unable to compete successfully in the automobile finance market or, due to the intense competition in this market, our results of operations, cash flows and financial condition may be adversely affected as we adjust our business in response to competitive pressures. Increasing advance rates on Dealer Loans has the impact of reducing the return on capital we expect to earn on Loans. Additionally, if we are unsuccessful in maintaining and expanding our relationships with Dealers, we may be unable to accept Consumer Loans in the volume and on the terms that we anticipate.

**We may not be able to generate sufficient cash flows to service our outstanding debt and fund operations and may be forced to take other actions to satisfy our obligations under such debt.**

Our ability to make payments of principal and interest on indebtedness will depend in part on our cash flows from operations, which are subject to economic, financial, competitive and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operations sufficient to permit us to meet our debt service obligations. If we are unable to generate sufficient cash flows from operations to service our debt, we may be required to sell assets, refinance all or a portion of our existing debt or obtain additional financing. There can be no assurance that any refinancing will be possible or that any asset sales or additional financing can be completed on acceptable terms or at all.

**Interest rate fluctuations may adversely affect our borrowing costs, profitability and liquidity.**

Our profitability may be directly affected by the level of and fluctuations in interest rates, whether caused by changes in economic conditions or other factors, which affect our borrowing costs. Our profitability and liquidity could be materially adversely affected during any period of higher interest rates. We monitor the interest rate environment and employ strategies designed to mitigate the impact of increases in interest rates. We can provide no assurance, however, that our strategies will mitigate the impact of increases in interest rates.

**Reduction in our credit rating could increase the cost of our funding from, and restrict our access to, the capital markets and adversely affect our liquidity, financial condition and results of operations.**

Credit rating agencies evaluate us, and their ratings of our debt and creditworthiness are based on a number of factors. These factors include our financial strength and other factors not entirely within our control, including conditions affecting the financial services industry generally. In light of the difficulties that faced the financial services industry and the financial markets in recent years, there can be no assurance that we will maintain our current ratings. Failure to maintain those ratings could, among other things, adversely limit our access to the capital markets and affect the cost and other terms upon which we are able to obtain financing.

**We may incur substantially more debt and other liabilities. This could exacerbate further the risks associated with our current debt levels.**

We may be able to incur substantial additional debt in the future. Although the terms of our debt instruments contain restrictions on our ability to incur additional debt, these restrictions are subject to exemptions that could permit us to incur a substantial amount of additional debt. In addition, our debt instruments do not prevent us from incurring liabilities that do not constitute indebtedness as defined for purposes of those debt instruments. If new debt or other liabilities are added to our current debt levels, the risks associated with our having substantial debt could intensify.

**The regulation to which we are or may become subject could result in a material adverse effect on our business.**

Reference should be made to Item 1. Business “Regulation” for a discussion of regulatory risk factors.

**Adverse changes in economic conditions, the automobile or finance industries, or the non-prime consumer market could adversely affect our financial position, liquidity and results of operations, the ability of key vendors that we depend on to supply us with services, and our ability to enter into future financing transactions.**

We are subject to general economic conditions which are beyond our control. During periods of economic slowdown or recession, delinquencies, defaults, repossessions and losses may increase on our Consumer Loans and Consumer Loan prepayments may decline. These periods are also typically accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding Consumer Loans, which weakens collateral coverage and increases the amount of a loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles may be sold or delay the timing of these sales. Additionally, higher gasoline prices, declining stock market values, unstable real estate values, resets of adjustable rate mortgages to higher interest rates, increasing unemployment levels, general availability of consumer credit or other factors that impact consumer confidence or disposable income could increase loss frequency and decrease consumer demand for automobiles as well as weaken collateral values of automobiles. Because our business is focused on consumers who do not qualify for conventional automobile financing, the actual rates of delinquencies, defaults, repossessions and losses on these Consumer Loans could be higher than that of those experienced in the general automobile finance industry, and could be more dramatically affected by a general economic downturn.

We rely on Dealers to originate Consumer Loans for assignment under our programs. High levels of Dealer attrition, due to a general economic downturn or otherwise, could materially adversely affect our operations. In addition, we rely on vendors to provide us with services we need to operate our business. Any disruption in our operations due to the untimely or discontinued supply of these services could substantially adversely affect our operations. Finally, during an economic slowdown or recession, our servicing costs may increase without a corresponding increase in finance charge revenue. Any sustained period of increased delinquencies, defaults, repossessions or losses or increased servicing costs could also materially adversely affect our financial position, liquidity and results of operations and our ability to enter into future financing transactions.



**Litigation we are involved in from time to time may adversely affect our financial condition, results of operations and cash flows.**

As a result of the consumer-oriented nature of the industry in which we operate and uncertainties with respect to the application of various laws and regulations in some circumstances, we are subject to various consumer claims and litigation seeking damages and statutory penalties, based upon, among other things, usury, disclosure inaccuracies, wrongful repossession, violations of bankruptcy stay provisions, certificate of title disputes, fraud and breach of contract. As the assignee of Consumer Loans originated by Dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against Dealers. We may also have disputes and litigation with Dealers. The claims may allege, among other theories of liability, that we breached our Dealer servicing agreement. The damages and penalties that may be claimed by consumers or Dealers in these types of matters can be substantial. The relief requested by plaintiffs varies but may include requests for compensatory, statutory and punitive damages, and plaintiffs may seek treatment as purported class actions. A significant judgment against us in connection with any litigation or arbitration could have a material adverse effect on our financial position, liquidity and results of operations.

**Changes in tax laws and the resolution of uncertain income tax matters could have a material adverse effect on our results of operations and cash flows from operations.**

We are subject to income tax in many of the various jurisdictions in which we operate. Increases in statutory income tax rates and other adverse changes in applicable law in these jurisdictions could have an adverse effect on our results of operations. In the ordinary course of business, there are transactions and calculations where the ultimate tax determination is uncertain. At any one time, multiple tax years are subject to audit by various taxing jurisdictions. We provide reserves for potential payments of tax to various tax authorities related to uncertain tax positions. Please see the Critical Accounting Estimates – Uncertain Tax Positions section in Item 7 of this Form 10-K, which is incorporated herein by reference. We adjust these liabilities as a result of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. Such payments could have a material adverse effect on our results of operations and cash flows from operations.

**Our dependence on technology could have a material adverse effect on our business.**

All Consumer Loans submitted to us for assignment are processed through our internet-based CAPS application, which enables our Dealers to interact with our proprietary credit scoring system. Our Consumer Loan servicing platform is also technology based. We rely on these systems to record and process significant amounts of data quickly and accurately and believe that these systems provide us with a competitive advantage. All of these systems are dependent upon computer and telecommunications equipment, software systems and Internet access. The temporary or permanent loss of any components of these systems through hardware failures, software errors, operating malfunctions, the vulnerability of the Internet or otherwise could interrupt our business operations, harm our business and adversely affect our competitive advantage. In addition, our competitors could create or acquire systems similar to ours, which would adversely affect our competitive advantage.

Our systems, and the equipment, software and Internet access on which they depend, may be subject to cyber attacks, security breaches and other cybersecurity incidents. Although the cybersecurity incidents we have experienced to date have not had a material effect on our business, financial condition or results of operations, there can be no assurance that cybersecurity incidents will not have a material adverse effect on us in the future.

We rely on a variety of measures to protect our technology and proprietary information, including copyrights, trade secrets and patents. However, these measures may not prevent misappropriation or infringement of our intellectual property or proprietary information, which would adversely affect us. In addition, our competitors or other third parties may allege that our systems, processes or technologies infringe their intellectual property rights.

Our ability to integrate computer and telecommunications technologies into our business is essential to our success. Computer and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We may not be successful in anticipating, managing or adopting technological changes on a timely basis. While we believe that our existing information systems are sufficient to meet our current demands and continued expansion, our future growth may require additional investment in these systems. We cannot assure that adequate capital resources will be available to us at the appropriate time.

**Reliance on third parties to administer our ancillary product offerings could adversely affect our business and financial results.**

We have relationships with TPPs to administer vehicle service contract and GAP products underwritten by third party insurers and financed by us. We depend on these TPPs to evaluate and pay claims in an accurate and timely manner. We also have relationships with TPPs to sell and administer GPS-SID. If our relationships with these TPPs were modified, disrupted, or terminated, we would need to obtain these services from an alternative administrator or provide them using our internal resources. We may be unable to replace these TPPs with a suitable alternative in a timely and efficient manner on terms we consider acceptable, or at all. In the event we were unable to effectively administer our ancillary products offerings, we may need to eliminate or suspend our ancillary product offerings from our future business, we may experience a decline in the performance of our Consumer Loans, our reputation in the marketplace could be undermined, and our financial position, liquidity and results of operations could be adversely affected.

**We are dependent on our senior management and the loss of any of these individuals or an inability to hire additional team members could adversely affect our ability to operate profitably.**

Our senior management average over 12 years of experience with us. Our success is dependent upon the management and the leadership skills of this team. In addition, competition from other companies to hire our team members possessing the necessary skills and experience required could contribute to an increase in team member turnover. The loss of any of these individuals or an inability to attract and retain additional qualified team members could adversely affect us. There can be no assurance that we will be able to retain our existing senior management or attract additional qualified team members.

**Our reputation is a key asset to our business, and our business may be affected by how we are perceived in the marketplace.**

Our reputation is a key asset to our business. Our ability to attract consumers through our Dealers is highly dependent upon external perceptions of our level of service, trustworthiness, business practices and financial condition. Negative publicity regarding these matters could damage our reputation among existing and potential consumers and Dealers, which could make it difficult for us to attract new consumers and Dealers and maintain existing Dealers. Adverse developments with respect to our industry may also, by association, negatively impact our reputation or result in greater regulatory or legislative scrutiny or litigation against us.

**The concentration of our Dealers in several states could adversely affect us.**

Dealers are located throughout the United States. During the year ended December 31, 2013, our five largest states (measured by advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program) contained 31.6% of our Dealers. While we believe we have a diverse geographic presence, for the near term, we expect that significant amounts of Consumer Loan assignments will continue to be generated by Dealers in these five states due to the number of Dealers in these states and currently prevailing economic, demographic, regulatory, competitive and other conditions in these states. Changes to conditions in these states could lead to an increase in Dealer attrition or a reduction in demand for our service that could materially adversely affect our financial position, liquidity and results of operations.

**Failure to properly safeguard confidential consumer information could subject us to liability, decrease our profitability and damage our reputation.**

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and personally identifiable information of our customers and employees, on our computer networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy.

If third parties or our team members are able to breach our network security, the network security of a third party that we share information with or otherwise misappropriate our customers' personal information, or if we give third parties or our team members improper access to our customers' personal information, we could be subject to liability. This liability could include identity theft or other similar fraud-related claims. This liability could also include claims for other misuses or losses of personal information, including for unauthorized marketing purposes. Other liabilities could include claims alleging misrepresentation of our privacy and data security practices.

We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to secure online transmission of confidential consumer information. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the algorithms that we use to protect sensitive customer transaction data. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend capital and other resources to protect against, or alleviate problems caused by, security breaches or other cybersecurity incidents. Although we have experienced cybersecurity incidents from time to time that have not had a material effect on our business, financial condition or results of operations, there can be no assurance that a cyber attack, security breach or other cybersecurity incident will not have a material adverse effect on us in the future. Our security measures are designed to protect against security breaches, but our failure to prevent security breaches could subject us to liability, decrease our profitability and damage our reputation.

**A small number of our shareholders have the ability to significantly influence matters requiring shareholder approval and such shareholders have interests which may conflict with the interests of our other security holders.**

As of December 31, 2013, based on filings made with the SEC and other information made available to us, our Chairman and founder beneficially owned 19.0% of our common stock, his former spouse and their daughter beneficially owned 10.9% and 24.5%, respectively, of our common stock, and Prescott General Partners, LLC and its affiliates beneficially owned 14.2% of our common stock. As a result, these few shareholders are able to significantly influence matters presented to shareholders, including the election and removal of directors, the approval of significant corporate transactions, such as any reclassification, reorganization, merger, consolidation or sale of all or substantially all of our assets, and the control of our management and affairs, including executive compensation arrangements. Their interests may conflict with the interests of our other security holders.

**Reliance on our outsourced business functions could adversely affect our business.**

We outsource certain business functions to third party service providers, which increases our operational complexity and decreases our control. We rely on these service providers to provide a high level of service and support, which subjects us to risks associated with inadequate or untimely service. In addition, if these outsourcing arrangements were not renewed or were terminated or the services provided to us were otherwise disrupted, we would have to obtain these services from an alternative provider or provide them using our internal resources. We may be unable to replace, or be delayed in replacing these sources and there is a risk that we would be unable to enter into a similar agreement with an alternate provider on terms that we consider favorable or in a timely manner. In the future, we may outsource additional business functions. If any of these or other risks related to outsourcing were realized, our financial position, liquidity and results of operations could be adversely affected.

**Natural disasters, acts of war, terrorist attacks and threats or the escalation of military activity in response to these attacks or otherwise may negatively affect our business, financial condition and results of operations.**

Natural disasters, acts of war, terrorist attacks and the escalation of military activity in response to these attacks or otherwise may have negative and significant effects, such as imposition of increased security measures, changes in applicable laws, market disruptions and job losses. These events may have an adverse effect on the economy in general. Moreover, the potential for future terrorist attacks and the national and international responses to these threats could affect the business in ways that cannot be predicted. The effect of any of these events or threats could have a material adverse effect on our business, financial condition and results of operations.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2. PROPERTIES**

Our headquarters is located at 25505 West Twelve Mile Road, Southfield, Michigan 48034. We purchased the office building in 1993 and have a mortgage loan from a commercial bank that is secured by a first mortgage lien on the property. The office building includes approximately 136,000 square feet of space on five floors. We occupy approximately 125,000 square feet of the building, with most of the remainder of the building leased to various tenants.

We lease approximately 52,000 square feet of office space in Southfield, Michigan and approximately 31,000 square feet of office space in Henderson, Nevada. The multiple leases for the Southfield, Michigan space expire in September 2018, April 2019 and July 2019. The lease for the Henderson, Nevada space expires in December 2017.

## **ITEM 3. LEGAL PROCEEDINGS**

In the normal course of business and as a result of the consumer-oriented nature of the industry in which we operate, industry participants are frequently subject to various consumer claims and litigation seeking damages and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth-in-lending, credit availability, credit reporting, consumer protection, warranty, debt collection, insurance and other consumer-oriented laws and regulations, including claims seeking damages for physical and mental damages relating to our repossession and sale of the consumer's vehicle and other debt collection activities. As the assignee of Consumer Loans originated by Dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against Dealers. We may also have disputes and litigation with Dealers. The claims may allege, among other theories of liability, that we breached our Dealer servicing agreement. The damages and penalties that may be claimed by consumers or Dealers in these types of matters can be substantial. The relief requested by plaintiffs varies but may include requests for compensatory, statutory and punitive damages, and plaintiffs may seek treatment as purported class actions. A significant judgment against us in connection with any litigation or arbitration could have a material adverse effect on our financial position, liquidity and results of operations.

For a description of significant litigation to which we are a party, see Note 17 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

## **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Stock Price**

During the year ended December 31, 2013 our common stock was traded on The Nasdaq Global Market® ("Nasdaq") under the symbol "CACC". The following table sets forth the high and low sale prices as reported by the Nasdaq for the common stock for the relevant periods during 2013, 2012 and 2011.

<b>Quarters Ended</b>	<b>2013</b>		<b>2012</b>		<b>2011</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
March 31	\$ 128.90	\$ 95.54	\$ 107.09	\$ 76.95	\$ 72.55	\$ 53.04
June 30	121.85	95.71	101.81	80.00	84.50	71.00
September 30	115.65	101.26	104.97	83.82	86.87	56.55
December 31	132.20	107.25	102.58	80.40	93.10	60.09

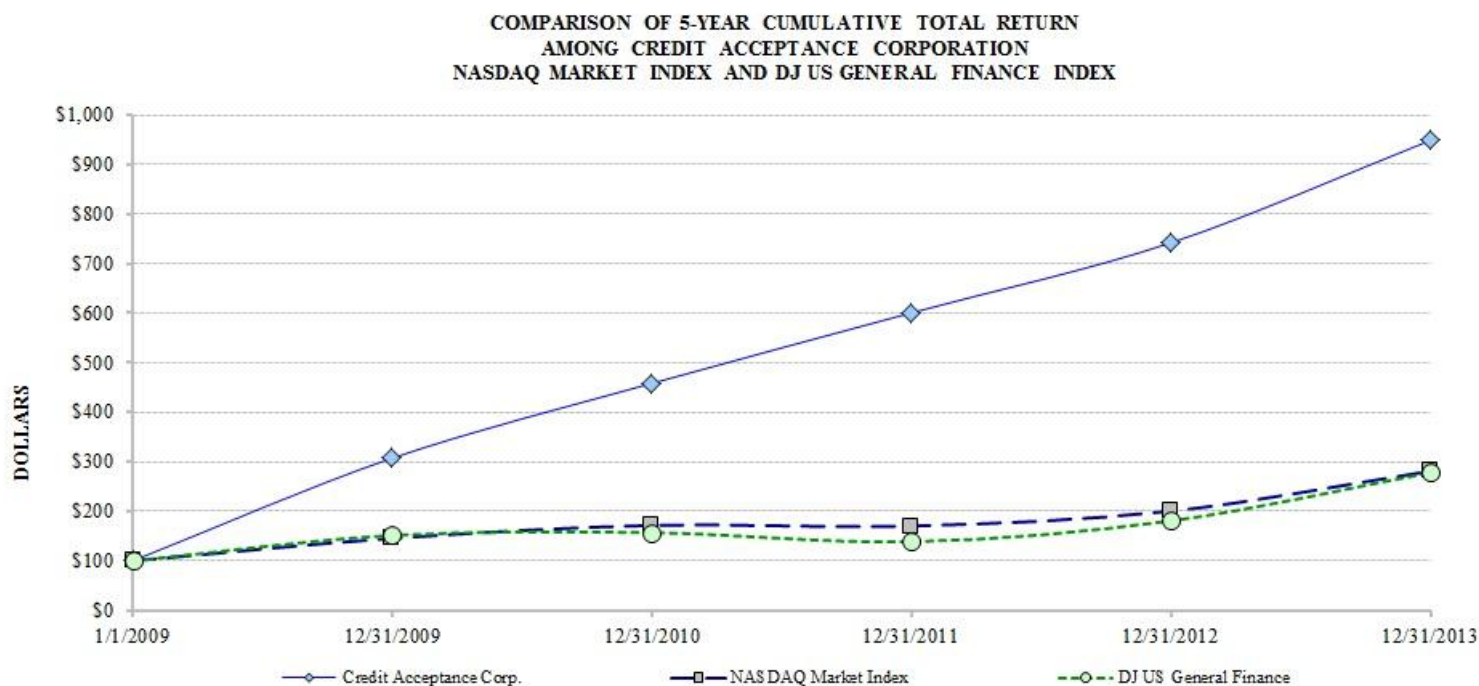
As of February 7, 2014, we had 155 shareholders of record and approximately 5,600 beneficial holders of our common stock based upon securities position listings furnished to us.

**Dividends**

We have not paid any cash dividends during the periods presented. Our debt agreements contain financial covenants which may indirectly limit the payment of dividends on common stock.

## Stock Performance Graph

The following graph compares the percentage change in the cumulative total shareholder return on our common stock during the period beginning January 1, 2009 and ending on December 31, 2013 with the cumulative total return on the Nasdaq Market Index and a peer group index based upon approximately 100 companies included in the Dow Jones – US General Financial Index. The comparison assumes that \$100 was invested on January 1, 2009 in our common stock and in the foregoing indices and assumes the reinvestment of dividends.



## Stock Repurchases

On August 5, 1999, our board of directors approved a stock repurchase program which authorizes us to repurchase common shares in the open market or in privately negotiated transactions at price levels we deem attractive. On March 7, 2013, the board of directors authorized the repurchase of up to one million shares of our common stock in addition to the board's prior authorizations. As of December 31, 2013, we had authorization to repurchase 324,456 shares of our common stock.

The following table summarizes our stock repurchases for the three months ended December 31, 2013:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 through October 31, 2013	48,229	\$ 110.11	48,229	346,541
November 1 through November 30, 2013	22,085	120.48	22,085	324,456
December 1 through December 31, 2013	—	—	—	324,456
	<u>70,314</u>	<u>\$ 113.37</u>	<u>70,314</u>	

## ITEM 6. SELECTED FINANCIAL DATA

The selected income statement and balance sheet data presented below are derived from our audited consolidated financial statements and should be read in conjunction with our consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011, and notes thereto and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this Form 10-K, which is incorporated herein by reference.

(In millions, except share and per share data)

	Years Ended December 31,				
	2013	2012	2011	2010	2009
<b>Income Statement Data:</b>					
Revenue	\$ 682.1	\$ 609.2	\$ 525.2	\$ 442.1	\$ 380.7
Costs and expenses:					
Salaries and wages	87.3	82.2	63.0	61.3	66.9
General and administrative	34.4	30.5	25.6	26.4	30.4
Sales and marketing	34.5	31.2	23.6	19.7	14.8
Provision for credit losses	21.9	24.0	29.0	10.0	(12.2)
Interest	65.0	63.4	57.2	47.8	32.4
Provision for claims	40.8	34.8	30.4	23.4	19.3
Total costs and expenses	283.9	266.1	228.8	188.6	151.6
Income from continuing operations before provision for income taxes	398.2	343.1	296.4	253.5	229.1
Provision for income taxes	145.1	123.4	108.4	83.4	83.0
Income from continuing operations	253.1	219.7	188.0	170.1	146.1
Gain from discontinued operations	—	—	—	—	0.2
Net income	\$ 253.1	\$ 219.7	\$ 188.0	\$ 170.1	\$ 146.3
Net income per share:					
Basic	\$ 10.61	\$ 8.65	\$ 7.15	\$ 5.79	\$ 4.78
Diluted	\$ 10.54	\$ 8.58	\$ 7.07	\$ 5.67	\$ 4.62
Income from continuing operations per share:					
Basic	\$ 10.61	\$ 8.65	\$ 7.15	\$ 5.79	\$ 4.77
Diluted	\$ 10.54	\$ 8.58	\$ 7.07	\$ 5.67	\$ 4.61
Gain from discontinued operations per share:					
Basic	\$ —	\$ —	\$ —	\$ —	\$ 0.01
Diluted	\$ —	\$ —	\$ —	\$ —	\$ 0.01
Weighted average shares outstanding:					
Basic	23,850,789	25,409,655	26,302,289	29,393,309	30,590,142
Diluted	24,009,593	25,598,956	26,600,855	29,984,819	31,668,895
<b>Balance Sheet Data:</b>					
Loans receivable, net	\$ 2,212.8	\$ 1,933.5	\$ 1,598.6	\$ 1,218.0	\$ 1,050.0
All other assets	220.6	199.7	160.0	125.5	126.2
Total assets	\$ 2,433.4	\$ 2,133.2	\$ 1,758.6	\$ 1,343.5	\$ 1,176.2
Total debt	\$ 1,392.4	\$ 1,250.8	\$ 997.9	\$ 685.6	\$ 507.0
Other liabilities	290.9	260.5	220.7	183.4	171.0
Total liabilities	1,683.3	1,511.3	1,218.6	869.0	678.0
Shareholders' equity (A)	750.1	621.9	540.0	474.5	498.2
Total liabilities and shareholders' equity	\$ 2,433.4	\$ 2,133.2	\$ 1,758.6	\$ 1,343.5	\$ 1,176.2

(A) No dividends were paid during the periods presented.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

### Overview

We offer automobile dealers financing programs that enable them to sell vehicles to consumers regardless of their credit history. Our financing programs are offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our product, but who actually end up qualifying for traditional financing.

For the year ended December 31, 2013, consolidated net income was \$253.1 million, or \$10.54 per diluted share, compared to \$219.7 million, or \$8.58 per diluted share, for the same period in 2012 and \$188.0 million, or \$7.07 per diluted share, for the same period in 2011. The growth in 2013 and 2012 consolidated net income was primarily due to an increase in the average balance of our Loan portfolio.

### Critical Success Factors

Critical success factors include our ability to accurately forecast Consumer Loan performance, access capital on acceptable terms, and maintain or grow Consumer Loan volume at the level and on the terms that we anticipate, with an objective to maximize economic profit. Economic profit is a financial metric we use to evaluate our financial results and determine incentive compensation. Economic profit measures how efficiently we utilize our total capital, both debt and equity, and is a function of the return on capital in excess of the cost of capital and the amount of capital invested in the business.

### Consumer Loan Performance

At the time a Consumer Loan is submitted to us for assignment, we forecast future expected cash flows from the Consumer Loan. Based on the amount and timing of these forecasts and expected expense levels, an advance or one-time purchase payment is made to the related Dealer at a price designed to achieve an acceptable return on capital. If Consumer Loan performance equals or exceeds our initial expectation, it is likely our target return on capital will be achieved.

We use a statistical model to estimate the expected collection rate for each Consumer Loan at the time of assignment. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. By comparing our current expected collection rate for each Consumer Loan with the rate we projected at the time of assignment, we are able to assess the accuracy of our initial forecast. The following table compares our forecast of Consumer Loan collection rates as of December 31, 2013, with the forecasts as of December 31, 2012, as of December 31, 2011, and at the time of assignment, segmented by year of assignment:

Consumer Loan Assignment Year	Forecasted Collection Percentage as of				Variance in Forecasted Collection Percentage from		
	December 31, 2013	December 31, 2012	December 31, 2011	Initial Forecast	December 31, 2012	December 31, 2011	Initial Forecast
2004	73.0%	73.0%	73.0%	73.0%	0.0%	0.0%	0.0%
2005	73.7%	73.6%	73.6%	74.0%	0.1%	0.1%	-0.3%
2006	70.0%	69.9%	70.0%	71.4%	0.1%	0.0%	-1.4%
2007	67.9%	68.0%	68.1%	70.7%	-0.1%	-0.2%	-2.8%
2008	70.1%	70.3%	70.0%	69.7%	-0.2%	0.1%	0.4%
2009	79.2%	79.5%	79.4%	71.9%	-0.3%	-0.2%	7.3%
2010	77.0%	77.3%	76.8%	73.6%	-0.3%	0.2%	3.4%
2011	74.1%	74.1%	73.2%	72.5%	0.0%	0.9%	1.6%
2012	73.5%	72.2%	—	71.4%	1.3%	—	2.1%
2013	73.3%	—	—	72.0%	—	—	1.3%



Consumer Loans assigned in 2009 through 2013 have yielded forecasted collection results materially better than our initial estimates, while Consumer Loans assigned in 2006 and 2007 have yielded forecasted collection results materially worse than our initial estimates. For all other assignment years presented, actual results have been very close to our initial estimates.

For the year ended December 31, 2013, forecasted collection rates improved for Consumer Loans assigned in 2012 and 2013, declined for Consumer Loans assigned in 2008 through 2010 and were generally consistent with expectations at the start of the period for all other assignment years presented. During the second quarter of 2013, we implemented an enhanced forecasting methodology that contributed to these collection rate variances.

Forecasting collection rates accurately at Loan inception is difficult. With this in mind, we establish advance rates that are intended to allow us to achieve acceptable levels of profitability, even if collection rates are less than we currently forecast.

The following table presents forecasted Consumer Loan collection rates, advance rates, the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that had been realized as of December 31, 2013. All amounts, unless otherwise noted, are presented as a percentage of the initial balance of the Consumer Loan (principal + interest). The table includes both Dealer Loans and Purchased Loans.

Consumer Loan Assignment Year	As of December 31, 2013			
	Forecasted Collection %	Advance % (1)	Spread %	% of Forecast Realized (2)
2004	73.0%	44.0%	29.0%	99.9%
2005	73.7%	46.9%	26.8%	99.7%
2006	70.0%	46.6%	23.4%	99.3%
2007	67.9%	46.5%	21.4%	98.8%
2008	70.1%	44.6%	25.5%	98.4%
2009	79.2%	43.9%	35.3%	98.3%
2010	77.0%	44.7%	32.3%	93.0%
2011	74.1%	45.5%	28.6%	76.1%
2012	73.5%	46.3%	27.2%	50.8%
2013	73.3%	47.6%	25.7%	17.1%

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program as a percentage of the initial balance of the Consumer Loans. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

(2) Presented as a percentage of total forecasted collections.

The risk of a material change in our forecasted collection rate declines as the Consumer Loans age. For 2010 and prior Consumer Loan assignments, the risk of a material forecast variance is modest, as we have currently realized in excess of 90% of the expected collections. Conversely, the forecasted collection rates for more recent Consumer Loan assignments are less certain as a significant portion of our forecast has not been realized.

The spread between the forecasted collection rate and the advance rate declined during the 2005 through 2007 period as we increased advance rates during this period in response to a more difficult competitive environment. During 2008 and 2009, the spread increased as the competitive environment improved and we reduced advance rates. In addition, during 2009, the spread was positively impacted by better than expected Consumer Loan performance. During the 2010 through 2013 period, the spread decreased as we again increased advance rates in response to the competitive environment.

The following table presents forecasted Consumer Loan collection rates, advance rates, and the spread (the forecasted collection rate less the advance rate) as of December 31, 2013 for Dealer Loans and Purchased Loans separately. All amounts are presented as a percentage of the initial balance of the Consumer Loan (principal + interest).

	<b>Consumer Loan Assignment Year</b>	<b>Forecasted Collection %</b>	<b>Advance % (1)</b>	<b>Spread %</b>
Dealer Loans	2007	67.9%	45.8%	22.1%
	2008	70.6%	43.3%	27.3%
	2009	79.2%	43.5%	35.7%
	2010	77.0%	44.4%	32.6%
	2011	74.0%	45.2%	28.8%
	2012	73.5%	46.1%	27.4%
	2013	73.2%	47.2%	26.0%
Purchased Loans	2007	68.2%	49.1%	19.1%
	2008	69.4%	46.7%	22.7%
	2009	79.3%	45.2%	34.1%
	2010	76.9%	46.2%	30.7%
	2011	74.5%	47.5%	27.0%
	2012	74.1%	48.0%	26.1%
	2013	74.0%	51.4%	22.6%

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program as a percentage of the initial balance of the Consumer Loans. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

The advance rates presented for each Consumer Loan assignment year change over time due to the impact of transfers between Dealer and Purchased Loans. Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's Consumer Loans from the Dealer Loan portfolio to the Purchased Loan portfolio in the period this forfeiture occurs.

Although the advance rate on Purchased Loans is higher as compared to the advance rate on Dealer Loans, Purchased Loans do not require us to pay Dealer Holdback.

#### Access to Capital

Our strategy for accessing capital on acceptable terms needed to maintain and grow the business is to: (1) maintain consistent financial performance; (2) maintain modest financial leverage; and (3) maintain multiple funding sources. Our funded debt to equity ratio is 1.9:1 as of December 31, 2013. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) senior notes.

#### Consumer Loan Volume

The following table summarizes changes in Consumer Loan assignment volume in each of the last three years as compared to the same period in the previous year:

	<b>For the Year Ended December 31,</b>	<b>Year over Year Percent Change</b>	
		<b>Unit Volume</b>	<b>Dollar Volume (1)</b>
2011		30.2%	43.5%
2012		6.7%	7.1%
2013		6.4%	8.7%

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

Consumer Loan assignment volumes depend on a number of factors including (1) the overall demand for our product, (2) the amount of capital available to fund new Loans, and (3) our assessment of the volume that our infrastructure can support. Our pricing strategy is intended to maximize the amount of economic profit we generate, within the confines of capital and infrastructure constraints

Unit and dollar volumes grew 6.4% and 8.7%, respectively, during 2013 as the number of active Dealers grew 20.2% and average volume per active Dealer declined 11.5%. We believe the decline in volume per Dealer is the result of increased competition.

The following table summarizes the changes in Consumer Loan unit volume and active Dealers:

	For the Years Ended December 31,			% Change	
	2013	2012	2011	2013 to 2012	2012 to 2011
Consumer Loan unit volume	202,250	190,023	178,074	6.4%	6.7%
Active Dealers (1)	6,394	5,319	3,998	20.2%	33.0%
Average volume per active Dealer	31.6	35.7	44.5	-11.5%	-19.8%

(1) Active Dealers are Dealers who have received funding for at least one Loan during the period.

The following table provides additional information on the changes in Consumer Loan unit volume and active Dealers:

	For the Years Ended December 31,			For the Years Ended December 31,		
	2013	2012	% Change	2012	2011	% Change
Consumer Loan unit volume from Dealers active both periods	170,219	176,680	-3.7%	157,735	168,314	-6.3%
Dealers active both periods	3,965	3,965	—	3,192	3,192	—
Average volume per Dealers active both periods	42.9	44.6	-3.7%	49.4	52.7	-6.3%
Consumer Loan unit volume from new Dealers	31,414	31,705	-0.9%	31,705	22,419	41.4%
New active Dealers (1)	2,382	2,070	15.1%	2,070	1,403	47.5%
Average volume per new active Dealers	13.2	15.3	-13.7%	15.3	16.0	-4.4%
Attrition (2)	-7.0%	-5.5%		-5.5%	-6.0%	

(1) New active Dealers are Dealers who enrolled in our program and have received funding for their first Loan from us during the period.

(2) Attrition is measured according to the following formula: decrease in Consumer Loan unit volume from Dealers who have received funding for at least one Loan during the comparable period of the prior year but did not receive funding for any Loans during the current period divided by prior year comparable period Consumer Loan unit volume.

Consumer Loans are assigned to us as either Dealer Loans through our Portfolio Program or Purchased Loans through our Purchase Program. The following table summarizes the portion of our Consumer Loan volume that was assigned to us as Dealer Loans:

	For the Years Ended December 31,		
	2013	2012	2011
Dealer Loan unit volume as a percentage of total unit volume	93.5%	93.7%	92.5%
Dealer Loan dollar volume as a percentage of total dollar volume (1)	91.6%	92.0%	90.4%

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

For the year ended December 31, 2013, Dealer Loan unit and dollar volume as a percentage of total unit and dollar volume were generally consistent with the same periods in 2012 and 2011.

As of December 31, 2013 and 2012, the net Dealer Loans receivable balance was 89.0% and 88.0%, respectively, of the total net Loans receivable balance.

## Results of Operations

The following is a discussion of our results of operations and income statement data on a consolidated basis:

(In millions, except share and per share data)

	For the Years Ended December 31,			% Change	
	2013	2012	2011	2013 to 2012	2012 to 2011
<b>Revenue:</b>					
Finance charges	\$ 590.4	\$ 538.2	\$ 460.6	9.7%	16.8%
Premiums earned	51.5	47.1	40.0	9.3%	17.8%
Other income	40.2	23.9	24.6	68.2%	-2.8%
Total revenue	682.1	609.2	525.2	12.0%	16.0%
<b>Costs and expenses:</b>					
Salaries and wages	87.3	82.2	63.0	6.2%	30.5%
General and administrative	34.4	30.5	25.6	12.8%	19.1%
Sales and marketing	34.5	31.2	23.6	10.6%	32.2%
Provision for credit losses	21.9	24.0	29.0	-8.8%	-17.2%
Interest	65.0	63.4	57.2	2.5%	10.8%
Provision for claims	40.8	34.8	30.4	17.2%	14.5%
Total costs and expenses	283.9	266.1	228.8	6.7%	16.3%
Income before provision for income taxes	398.2	343.1	296.4	16.1%	15.8%
Provision for income taxes	145.1	123.4	108.4	17.6%	13.8%
Net income	\$ 253.1	\$ 219.7	\$ 188.0	15.2%	16.9%
<b>Net income per share:</b>					
Basic	\$ 10.61	\$ 8.65	\$ 7.15	22.7%	21.0%
Diluted	\$ 10.54	\$ 8.58	\$ 7.07	22.8%	21.4%
<b>Weighted average shares outstanding:</b>					
Basic	23,850,789	25,409,655	26,302,289	-6.1%	-3.4%
Diluted	24,009,593	25,598,956	26,600,855	-6.2%	-3.8%

### Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The following table highlights changes in net income for the year ended December 31, 2013, as compared to 2012:

(In millions)	Change
<b>Net income for the year ended December 31, 2012</b>	<b>\$ 219.7</b>
Increase in finance charges	52.2
Increase in premiums earned	4.4
Increase in other income	16.3
Increase in operating expenses (1)	(12.3)
Decrease in provision for credit losses	2.1
Increase in interest	(1.6)
Increase in provision for claims	(6.0)
Increase in provision for income taxes	(21.7)
<b>Net income for the year ended December 31, 2013</b>	<b>\$ 253.1</b>

(1) Operating expenses consist of salaries and wages, general and administrative, and sales and marketing expenses.

**Finance Charges.** For the year ended December 31, 2013, finance charges increased \$52.2 million, or 9.7%, as compared to 2012. The increase was primarily the result of an increase in the average net Loans receivable balance partially offset by a decrease in the average yield on our Loan portfolio, as follows:

(Dollars in millions)	For the Years Ended December 31,			Change
	2013	2012		
Average net Loans receivable balance	\$ 2,088.4	\$ 1,797.0	\$	291.4
Average yield on our Loan portfolio	28.3%	30.0%		-1.7 %

The following table summarizes the impact each component had on the overall increase in finance charges for the year ended December 31, 2013:

(In millions)	For the Year Ended December 31, 2013
<b>Impact on finance charges:</b>	
Due to an increase in the average net Loans receivable balance	\$ 87.3
Due to a decrease in the average yield	(35.1)
<b>Total increase in finance charges</b>	<b>\$ 52.2</b>

The increase in the average net Loans receivable balance was primarily due to growth in new Consumer Loan assignments in recent years, which resulted in the dollar volume of new Consumer Loan assignments exceeding the principal collected on Loans throughout 2012 and 2013. The growth in new Consumer Loan assignments in recent years was the result of an increase in active Dealers, partially offset by a decline in volume per active Dealer. The average yield on our Loan portfolio for the year ended December 31, 2013 decreased as compared to the same period in 2012 due to higher advance rates on new Consumer Loan assignments, partially offset by improvements in forecasted collection rates throughout 2012 and 2013.

**Premiums Earned.** For the year ended December 31, 2013, premiums earned increased \$4.4 million, or 9.3%, as compared to 2012. The increase was primarily due to growth in the size of our reinsurance portfolio, which was the result of premiums written on vehicle service contracts from new Consumer Loan assignments throughout 2012 and 2013.

**Other Income.** For the year ended December 31, 2013, other income increased \$16.3 million, or 68.2%, as compared to 2012. The increase was primarily due to:

- A \$7.6 million increase in GPS-SID fee income due to an increase in the fee earned per unit purchased by Dealers from TPPs.
- A \$6.0 million increase in vehicle service contract profit sharing income primarily as a result of a new profit sharing arrangement we entered into with one of our TPPs during 2012.

**Operating Expenses.** For the year ended December 31, 2013, operating expenses increased \$12.3 million, or 8.5%, as compared to 2012. The change in operating expenses was primarily due to the following:

- An increase in salaries and wages expense of \$5.1 million, or 6.2%, comprised of the following:
  - An increase of \$8.8 million, excluding stock-based compensation, primarily related to increases of \$4.9 million for our servicing function and \$4.2 million for our support function.
  - A decrease of \$3.7 million in stock-based compensation expense primarily due to a change in the expected vesting period of performance-based stock awards.
- An increase in general and administrative expenses of \$3.9 million, or 12.8%, primarily as a result of an increase related to legal fees.
- An increase in sales and marketing expense of \$3.3 million, or 10.6%, primarily as a result of an increase in the size of our field sales force and an increase in Dealer support products and services.

**Provision for Credit Losses.** For the year ended December 31, 2013, the provision for credit losses decreased \$2.1 million, or 8.8%, as compared to 2012. Under accounting principles generally accepted in the United States of America (“GAAP”), when the present value of forecasted future cash flows decline relative to our expectations at the time of assignment, a provision for credit losses is recorded immediately as a current period expense and a corresponding allowance for credit losses is established. For purposes of calculating the required allowance, Dealer Loans are grouped by Dealer and Purchased Loans are grouped by month of purchase. As a result, regardless of the overall performance of the portfolio of Consumer Loans, a provision can be required if any individual Loan pool performs worse than expected. Conversely, a previously recorded provision can be reversed if any previously impaired individual Loan pool experiences an improvement in performance.

During the year ended December 31, 2013, overall Consumer Loan performance exceeded our expectations at the start of the year. However, the performance of certain Loan pools declined from our expectations during the year, resulting in a provision for credit losses of \$21.9 million for the year ended December 31, 2013, of which \$21.3 million related to Dealer Loans and \$0.6 million related to Purchased Loans. The provision for credit losses included \$3.0 million in expense related to our implementation of an enhanced forecasting methodology during the second quarter of 2013, of which \$1.2 million related to Dealer Loans and \$1.8 million related to Purchased Loans. For additional information, see Note 5 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference. During the year ended December 31, 2012 overall Consumer Loan performance exceeded our expectations at the start of the year. However, the performance of certain Loan pools declined from our expectations during the year, resulting in a provision for credit losses of \$24.0 million for the year ended December 31, 2012, of which \$27.1 million related to Dealer Loans partially offset by a reversal of provision of \$3.1 million related to Purchased Loans. The provision for credit losses related to Dealer Loans includes \$2.8 million in expense related to an enhancement made to the computations used to account for Dealer Loans during the fourth quarter of 2012. For additional information, see Note 5 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

**Interest.** For the year ended December 31, 2013, interest expense increased \$1.6 million, or 2.5%, as compared to 2012. The following table shows interest expense, the average outstanding debt balance, and the average cost of debt for the years ended December 31, 2013 and 2012:

(Dollars in millions)

	For the Years Ended December 31,			
	2013		2012	
Interest expense	\$	65.0	\$	63.4
Average outstanding debt balance		1,372.3		1,150.4
Average cost of debt		4.7%		5.5%

For the year ended December 31, 2013, the increase in interest expense was primarily due to an increase in the average outstanding debt balance partially offset by a decrease in our average cost of debt. The average outstanding debt balance increased compared to the same period in 2012 due to the use of the debt proceeds to fund the growth in new Consumer Loan assignments and stock repurchases. The decrease in our average cost of debt was primarily a result of a change in the mix of our outstanding debt.

**Provision for Claims.** For the year ended December 31, 2013, provision for claims increased \$6.0 million, or 17.2%, as compared to 2012. The increase was due to an increase in the size of our reinsurance portfolio, as well as an increase in the amount of claims paid per reinsured vehicle service contract.

*Provision for Income Taxes.* For the year ended December 31, 2013, the effective tax rate of 36.4% was generally consistent with the effective tax rate of 36.0% in 2012.

### **Year Ended December 31, 2012 Compared to Year Ended December 31, 2011**

The following table highlights changes in net income for the year ended December 31, 2012, as compared to 2011:

(In millions)	<b>Change</b>
<b>Net income for the year ended December 31, 2011</b>	<b>\$ 188.0</b>
Increase in finance charges	77.6
Increase in premiums earned	7.1
Decrease in other income	(0.7)
Increase in operating expenses (1)	(31.7)
Decrease in provision for credit losses	5.0
Increase in interest	(6.2)
Increase in provision for claims	(4.4)
Increase in provision for income taxes	(15.0)
<b>Net income for the year ended December 31, 2012</b>	<b>\$ 219.7</b>

(1) Operating expenses consist of salaries and wages, general and administrative, and sales and marketing expenses.

*Finance Charges.* For the year ended December 31, 2012, finance charges increased \$77.6 million, or 16.8%, as compared to 2011. The increase was primarily the result of an increase in the average net Loans receivable balance partially offset by a decrease in the average yield on our Loan portfolio, as follows:

(Dollars in millions)	<b>For the Years Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
Average net Loans receivable balance	\$ 1,797.0	\$ 1,425.1	\$ 371.9
Average yield on our Loan portfolio	30.0%	32.3%	-2.3 %

The following table summarizes the impact each component had on the increase in finance charges for the year ended December 31, 2012:

(In millions)	<b>For the Year Ended December 31, 2012</b>
<b>Impact on finance charges:</b>	
Due to an increase in the average net Loans receivable balance	\$ 120.2
Due to a decrease in the average yield	(42.6)
<b>Total increase in finance charges</b>	<b>\$ 77.6</b>

The increase in the average net Loans receivable balance was primarily due to growth in new Consumer Loan assignments in recent years, which resulted in the dollar volume of new Consumer Loan assignments exceeding the principal collected on Loans throughout 2011 and 2012. The growth in new Consumer Loan assignments in recent years was the result of an increase in active Dealers, partially offset by a decline in volume per active Dealer. The average yield on our Loan portfolio for the year ended December 31, 2012 decreased as compared to the same period in 2011 due to higher advance rates on new Consumer Loan assignments, partially offset by improvements in forecasted collection rates throughout 2011 and 2012.

*Premiums Earned.* For the year ended December 31, 2012, premiums earned increased \$7.1 million, or 17.8%, as compared to 2011. The increase is primarily due to growth in the size of our reinsurance portfolio which resulted from growth in new Consumer Loan assignments throughout 2011 and 2012.

**Other Income.** For the year ended December 31, 2012, other income decreased \$0.7 million, or 2.8%, as compared to 2011. The decrease in other income was primarily the result of the following:

- A \$5.5 million decrease in GAP profit sharing income, which was a result of the following:
  - Additional income recognized during 2011 as a result of a change we made to our revenue recognition during 2011 to begin recognizing this income as earned over the life of the GAP contracts.
  - A change made to our profit sharing income arrangement during 2012 that increased the total amount of income earned per GAP contract but reduced the amount recognized as other income. This reduction was more than offset by a higher fee per GAP contract that is recognized as finance charges.
- A \$3.9 million increase in GPS-SID fee income due to increases in both the fee earned per unit and the number of units purchased by dealers from TPPs.
- A \$1.1 million increase in vehicle service contract profit sharing income as a result of a new profit sharing arrangement we entered into with one of our TPPs during 2012.

**Operating Expenses.** For the year ended December 31, 2012, operating expenses increased \$31.7 million, or 28.3%, as compared to the same period in 2011. The change in operating expenses is due to the following:

- An increase in salaries and wages expense of \$19.2 million, or 30.5%, comprised of the following:
  - An increase of \$10.3 million in stock-based compensation expense primarily attributable to the 15 year stock award granted to our Chief Executive Officer during the first quarter of 2012.
  - An increase of \$6.9 million in salaries and wages, excluding the increase in stock-based compensation and fringe benefits, related to increases of \$4.2 million for our servicing function, \$2.2 million for our support function and \$0.5 million for our originations function.
  - An increase of \$2.0 million in fringe benefits, primarily related to medical claims.
- An increase in sales and marketing expense of \$7.6 million, or 32.2%, primarily as a result of the increase in the size of the field sales force.
- An increase in general and administrative expense of \$4.9 million, or 19.1%, primarily due to an increase in information technology expenses, an expense incurred related to the termination of our relationship with a TPP during the fourth quarter of 2012, an increase in legal fees and higher taxes primarily as a result of a property tax refund recognized in the first quarter of 2011.

**Provision for Credit Losses.** For the year ended December 31, 2012, the provision for credit losses decreased \$5.0 million, or 17.2%, as compared to 2011. During the year ended December 31, 2012, overall Consumer Loan performance exceeded our expectations at the start of the year. However, the performance of certain Loan pools declined from our expectations during the year, resulting in a provision for credit losses of \$24.0 million for the year ended December 31, 2012, of which \$27.1 million related to Dealer Loans partially offset by a reversal of provision of \$3.1 million related to Purchased Loans. The provision for credit losses related to Dealer Loans includes \$2.8 million in expense related to an enhancement made to the computations used to account for Dealer Loans during the fourth quarter of 2012. For additional information, see Note 5 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference. During the year ended December 31, 2011 overall Consumer Loan performance exceeded our expectations at the start of the year. However, the performance of certain Loan pools declined from our expectations during the year, resulting in a provision for credit losses of \$29.0 million for the year ended December 31, 2011, of which \$29.7 million related to Dealer Loans partially offset by a reversal of provision of \$0.7 million related to Purchased Loans.

**Interest.** For the year ended December 31, 2012, interest expense increased \$6.2 million, or 10.8%, as compared to 2011. The following table shows interest expense, the average outstanding debt balance, and the average cost of debt for the year ended December 31, 2012:

(Dollars in millions)

	For the Years Ended December 31,	
	2012	2011
Interest expense	\$ 63.4	\$ 57.2
Average outstanding debt balance	1,150.4	892.3
Average cost of debt	5.5%	6.4%

For the year ended December 31, 2012, the increase in interest expense is primarily due to the increase in the average outstanding debt balance, partially offset by a decline in our average cost of debt. The average outstanding debt balance increased compared to the same period in 2011 due to the use of the debt proceeds to fund the growth in new Consumer Loan assignments and stock repurchases. The decline in our average cost of debt was primarily a result of a change in the mix of our outstanding debt.



*Provision for Claims.* For the year ended December 31, 2012, provision for claims increased \$4.4 million, or 14.5%, as compared to 2011. The increase was due to an increase in the size of our reinsurance portfolio partially offset by a decrease in claims paid per reinsured vehicle service contract.

*Provision for Income Taxes.* For the year ended December 31, 2012, the effective tax rate of 36.0% was generally consistent with the effective tax rate of 36.6% in 2011.

## **Critical Accounting Estimates**

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we review our accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP.

Our significant accounting policies are discussed in Note 2 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and involve a high degree of subjective or complex judgment, and the use of different estimates or assumptions could produce materially different financial results.

### **Finance Charge Revenue & Allowance for Credit Losses**

*Nature of Estimates Required.* We estimate the amount and timing of future collections and Dealer Holdback payments. These estimates impact loans receivable and allowance for credit losses on our balance sheet and finance charges and provision for credit losses on our income statement.

*Assumptions and Approaches Used.* For accounting purposes, we are not considered to be an originator of Consumer Loans, but instead are considered to be a lender to our Dealers for Consumer Loans assigned under our Portfolio Program, and a purchaser of Consumer Loans assigned under our Purchase Program. As a result of this classification, our accounting policies for recognizing finance charge revenue and determining our allowance for credit losses may be different from other lenders in our market, who, based on their different business models, may be considered to be a direct lender to consumers for accounting purposes. For additional information regarding our classification as a lender to our Dealers for accounting purposes, see Note 1 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

We recognize finance charges under the interest method such that revenue is recognized on a level-yield basis based upon forecasted cash flows. For Dealer Loans, finance charge revenue and the allowance for credit losses are calculated after first aggregating Dealer Loans outstanding for each Dealer. For the same purpose, Purchased Loans are aggregated according to the month the Loan was purchased. An allowance for credit losses is maintained at an amount that reduces the net asset value (Loan balance less the allowance) to the value of forecasted future cash flows discounted at the yield established at the time of assignment. The discounted value of future cash flows is comprised of estimated future collections on the Loans, less any estimated Dealer Holdback payments related to Dealer Loans. We write off Loans once there are no forecasted future collections on any of the associated Consumer Loans.

Actual cash flows from any individual Dealer Loan or pool of Purchased Loans are often different than estimated cash flows at the time of assignment. If such difference is favorable, the difference is recognized prospectively into income over the remaining life of the Dealer Loan or pool of Purchased Loans through a yield adjustment. If such difference is unfavorable, a provision for credit losses is recorded immediately as a current period expense and a corresponding allowance for credit losses is established. Because differences between estimated cash flows at the time of assignment and actual cash flows occur often, an allowance is required for a significant portion of our Loan portfolio. An allowance for credit losses does not necessarily indicate that a Dealer Loan or pool of Purchased Loans is unprofitable, and in recent years, very seldom are cash flows from a Dealer Loan or pool of Purchased Loans insufficient to repay the initial amounts advanced or paid to the Dealer.

Future collections on Dealer and Purchased Loans are forecasted based on the historical performance of Consumer Loans with similar characteristics, adjusted for recent trends in payment patterns. Dealer Holdback is forecasted based on the expected future collections and current advance balance of each Dealer Loan.

During the fourth quarter of 2012, we enhanced the computations used to account for Dealer Loans. The enhanced computations utilize a more sophisticated approach for determining the yields established at the time of assignment, future net cash flow streams and the present value of future cash flow streams. While the enhanced computations did not change these estimates significantly at the overall Dealer Loan portfolio level, we believe they improved the precision of these estimates at the individual Dealer level. Implementation of the enhanced computations reduced 2012 net income by \$1.2 million.

During the second quarter of 2013, we enhanced our methodology for forecasting future collections on Loans through the utilization of more recent data, different segmentations and new forecast variables. Implementation of the enhanced forecasting methodology reduced net income by \$2.1 million for the second quarter of 2013.

*Key Factors.* Variances in the amount and timing of future net cash flows from current estimates could materially impact earnings in future periods. A 1% decline in the forecasted future net cash flows on Loans as of December 31, 2013 would have reduced 2013 net income by approximately \$8.9 million.

#### Premiums Earned

*Nature of Estimates Required.* We estimate the pattern of future claims on vehicle service contracts. These estimates impact accounts payable and accrued liabilities on our balance sheet and premiums earned on our income statement.

*Assumptions and Approaches Used.* Premiums from the reinsurance of vehicle service contracts are recognized over the life of the policy in proportion to the expected costs of servicing those contracts. Expected costs are determined based on our historical claims experience. In developing our cost expectations, we stratify our historical claims experience into groupings based on contractual term, as this characteristic has led to different patterns of cost incurrence in the past. We will continue to update our analysis of historical costs under the vehicle service contract program as appropriate, including the consideration of other characteristics that may have led to different patterns of cost incurrence, and revise our revenue recognition timing for any changes in the pattern of our expected costs as they are identified.

*Key Factors.* Variances in the pattern of future claims from our current estimates would impact the timing of premiums recognized in future periods. A 10% change in premiums earned for the year ended December 31, 2013 would have affected 2013 net income by approximately \$3.2 million.

#### Stock-Based Compensation Expense

*Nature of Estimates Required.* Stock-based compensation expense is based on the fair value on the date the equity instrument is granted or awarded by us, and is recognized over the expected vesting period of the equity instrument. We also estimate expected forfeiture rates of restricted stock awards. These estimates impact paid in capital on our balance sheet and salaries and wages on our income statement.

*Assumptions and Approaches Used.* In recognizing restricted stock-based compensation expense, we make assumptions regarding the expected forfeiture rates of the restricted stock awards. We also make assumptions regarding the expected vesting dates of performance-based restricted stock awards.

The fair value of restricted stock awards are estimated as if they were vested and issued on the grant date and are recognized over the expected vesting period of the restricted stock award. For additional information, see Notes 2 and 14 to the consolidated financial statements contained in Item 8 of this Form 10-K, which are incorporated herein by reference.

*Key Factors.* Changes in the expected vesting dates of performance-based restricted stock awards and expected forfeiture rates would impact the amount and timing of stock-based compensation expense recognized in future periods. A 10% change in stock-based compensation expense for the year ended December 31, 2013 would have affected 2013 net income by approximately \$0.5 million.

## Litigation and Contingent Liabilities

*Nature of Estimates Required.* We estimate the likelihood of adverse legal judgments and any resulting damages owed. These estimates impact accounts payable and accrued liabilities on our balance sheet and are general and administrative expenses on our income statement.

*Assumptions and Approaches Used.* With assistance from our legal counsel, we determine if the likelihood of an adverse judgment for various claims and litigation is remote, reasonably possible, or probable. To the extent we believe an adverse judgment is probable and the amount of the judgment is estimable, we recognize a liability. For information regarding the potential various claims against us, see Note 17 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

*Key Factors.* Negative variances in the ultimate disposition of claims and litigation outstanding from current estimates could result in additional expense in future periods.

## Uncertain Tax Positions

*Nature of Estimates Required.* We estimate the impact of an uncertain income tax position on the income tax return. These estimates impact income taxes receivable and accounts payable and accrued liabilities on our balance sheet and provision for income taxes on our income statement.

*Assumptions and Approaches Used.* We follow a two-step approach for recognizing uncertain tax positions. First, we evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more-likely-than-not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, for positions that we determine are more-likely-than-not to be sustained, we recognize the tax benefit as the largest benefit that has a greater than 50% likelihood of being sustained. We establish a reserve for uncertain tax positions liability that is comprised of unrecognized tax benefits and related interest. We adjust this liability in the period in which an uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position, or more information becomes available.

*Key Factors.* To the extent we prevail in matters for which a liability has been established or are required to pay amounts in excess of our established liability, our effective income tax rate in future periods could be materially affected. Our 2011 federal income tax return is currently under audit by the Internal Revenue Service.

## Liquidity and Capital Resources

We need capital to maintain and grow our business. Our primary sources of capital are cash flows from operating activities, collections of Consumer Loans and borrowings under: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) senior notes. There are various restrictive debt covenants for each financing arrangement and we are in compliance with those covenants as of December 31, 2013. For information regarding these financings and the covenants included in the related documents, see Note 8 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

During the second quarter of 2013, we extended the date on which Warehouse IV will cease to revolve from February 19, 2014 to April 5, 2016. The interest rate on borrowings under the facility was decreased from LIBOR plus 275 basis points to LIBOR plus 225 basis points. During the fourth quarter of 2013, the interest rate on borrowings under Warehouse IV was decreased from LIBOR plus 225 basis points to LIBOR plus 200 basis points. There were no other material changes to the terms of the facility.

During the second quarter of 2013, we completed a \$140.3 million Term ABS financing, which was used to repay outstanding indebtedness. The financing has an expected annualized cost of approximately 1.7% (including the initial purchaser's fees and other costs), and it will revolve for 24 months, after which it will amortize based upon the cash flows on the contributed loans.

During the second quarter of 2013, we extended the maturity of our revolving secured line of credit facility from June 22, 2015 to June 23, 2016. There were no other material changes to the terms of the facility.

During the fourth quarter of 2013, we completed a \$197.8 million Term ABS financing, which was used to repay outstanding indebtedness. The financing has an expected annualized cost of approximately 2.1% (including the initial purchaser's fees and other costs), and it will revolve for 24 months, after which it will amortize based upon the cash flows on the contributed loans.

During January 2014, we issued \$300 million of 6.125% senior notes due 2021 (the "2021 senior notes") in a private offering exempt from registration under the Securities Act of 1933. We intend to use the net proceeds from the 2021 senior notes, together with borrowings under our revolving credit facility, to redeem in full the \$350.0 million outstanding principal amount of our 9.125% senior notes due 2017 (the "2017 senior notes"). In accordance with the terms of the indenture governing the 2017 senior notes, we have provided an irrevocable notice of our election to redeem all of the outstanding 2017 senior notes on February 21, 2014 (the "Redemption Date"). We expect that the 2017 senior notes will be redeemed on the Redemption Date at a redemption price equal to 104.563% of the principal amount thereof, plus accrued and unpaid interest to but excluding the Redemption Date. For the quarter ended March 31, 2014, we expect to recognize a pre-tax loss on the extinguishment of debt of \$21.7 million related to the redemption of the 2017 senior notes.

Cash and cash equivalents decreased to \$4.2 million as of December 31, 2013 from \$9.0 million as of December 31, 2012. Our total balance sheet indebtedness increased to \$1,392.4 million as of December 31, 2013 from \$1,250.8 million as of December 31, 2012 due to the growth in new Consumer Loan assignments and stock repurchases.

Restricted cash and cash equivalents increased to \$111.3 million as of December 31, 2013 from \$92.4 million as of December 31, 2012. The following table summarizes restricted cash and cash equivalents:

	As of December 31,	
	2013	2012
Cash related to secured financings	\$ 110.1	\$ 90.2
Cash held in VSC Re trusts for future vehicle service contract claims (1)	1.2	2.2
Total restricted cash and cash equivalents	\$ 111.3	\$ 92.4

(1) The unearned premium and claims reserve associated with the trusts are included in accounts payable and accrued liabilities in the consolidated balance sheets.

As of December 31, 2013 and 2012, restricted securities available for sale were \$53.6 million and \$46.1 million, respectively. Restricted securities available for sale consist of amounts held in accordance with vehicle service contract trust agreements.

## Contractual Obligations

A summary of the total future contractual obligations requiring repayments as of December 31, 2013 is as follows:

(In millions)

	Payments Due by Period					
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Other
Long-term debt, including current maturities (1)(2)	\$ 1,392.2	\$ 362.0	\$ 680.2	\$ 350.0	\$ —	\$ —
Dealer Holdback (3)	639.5	114.2	274.5	168.0	82.8	—
Operating lease obligations	6.3	1.4	2.7	2.0	0.2	—
Purchase obligations (4)	3.8	1.9	0.8	0.8	0.3	—
Other future obligations (5)	13.2	—	—	—	—	13.2
Total contractual obligations	<u>\$ 2,055.0</u>	<u>\$ 479.5</u>	<u>\$ 958.2</u>	<u>\$ 520.8</u>	<u>\$ 83.3</u>	<u>\$ 13.2</u>

- (1) Long-term debt obligations included in the above table consist solely of principal repayments. The amounts are presented on a gross basis to exclude the net unamortized debt premium of \$0.2 million. We are also obligated to make interest payments at the applicable interest rates, as discussed in Note 8 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference. Based on the actual amounts outstanding under our revolving secured line of credit, our Warehouse facilities, and our senior notes as of December 31, 2013, the forecasted amounts outstanding on all other debt and the actual interest rates in effect as of December 31, 2013, interest is expected to be approximately \$48.9 million during 2014; \$40.5 million during 2015; and \$50.5 million during 2016 and thereafter.
- (2) For subsequent event information affecting the maturity of senior notes, see Note 18 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.
- (3) We have contractual obligations to pay Dealer Holdback to our Dealers. Payments of Dealer Holdback are contingent upon the receipt of consumer payments and the repayment of advances. The amounts presented represent our forecast as of December 31, 2013.
- (4) Purchase obligations consist primarily of contractual obligations related to our information system and facility needs.
- (5) Other future obligations included in the above table consist solely of reserves for uncertain tax positions. Payments are contingent upon examination and would occur in the periods in which the uncertain tax positions are settled.

Based upon anticipated cash flows, management believes that cash flows from operations and its various financing alternatives will provide sufficient financing for debt maturities and for future operations. Our ability to borrow funds may be impacted by economic and financial market conditions. If the various financing alternatives were to become limited or unavailable to us, our operations and liquidity could be materially and adversely affected.

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## Market Risk

We are exposed primarily to market risks associated with movements in interest rates. Our policies and procedures prohibit the use of financial instruments for speculative purposes. A discussion of our accounting policies for derivative instruments is included in Note 2 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

*Interest Rate Risk.* We rely on various sources of financing, some of which contain floating rates of interest and expose us to risks associated with increases in interest rates. We manage such risk primarily by entering into interest rate cap and interest rate swap agreements.

As of December 31, 2013, we had \$102.8 million of floating rate debt outstanding on our revolving secured line of credit, without interest rate protection. For every 1.0% increase in rates on our revolving secured line of credit, annual after-tax earnings would decrease by approximately \$0.6 million, assuming we maintain a level amount of floating rate debt.

As of December 31, 2013, we had an interest rate cap agreement outstanding to manage the interest rate risk on Warehouse Facility II. However, as of December 31, 2013, there was no floating debt outstanding under this facility.

As of December 31, 2013, we had an interest rate cap agreement outstanding to manage the interest rate risk on Warehouse Facility III. However, as of December 31, 2013, there was no floating debt outstanding under this facility.

As of December 31, 2013, we had an interest rate cap agreement outstanding to manage the interest rate risk on Warehouse Facility IV. However, as of December 31, 2013, there was no floating debt outstanding under this facility.

#### **New Accounting Updates**

See Note 2 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference, for information concerning the following new accounting updates and the impact of the implementation of these updates on our financial statements:

- Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts
- Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs
- Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income
- Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

#### **Forward-Looking Statements**

We make forward-looking statements in this report and may make such statements in future filings with the SEC. We may also make forward-looking statements in our press releases or other public or shareholder communications. Our forward-looking statements are subject to risks and uncertainties and include information about our expectations and possible or assumed future results of operations. When we use any of the words "may," "will," "should," "believe," "expect," "anticipate," "assume," "forecast," "estimate," "intend," "plan," "target" or similar expressions, we are making forward-looking statements.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of our forward-looking statements. These forward-looking statements represent our outlook only as of the date of this report. While we believe that our forward-looking statements are reasonable, actual results could differ materially since the statements are based on our current expectations, which are subject to risks and uncertainties. Factors that might cause such a difference include, but are not limited to, the factors set forth under Item 1A of this Form 10-K, which is incorporated herein by reference, elsewhere in this report and the risks and uncertainties discussed in our other reports filed or furnished from time to time with the SEC.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information called for by Item 7A is incorporated herein by reference from the information in Item 7 under the caption "Market Risk" in this Form 10-K.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	40
Consolidated Balance Sheets as of December 31, 2013 and 2012	41
Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011	42
Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	43
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2013, 2012 and 2011	44
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	45
Notes to Consolidated Financial Statements	46

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of  
Credit Acceptance Corporation

We have audited the accompanying consolidated balance sheets of Credit Acceptance Corporation (a Michigan corporation) and subsidiaries (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Credit Acceptance Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2013 based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 14, 2014 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ GRANT THORNTON LLP

Southfield, Michigan  
February 14, 2014



# CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)

	As of December 31,	
	2013	2012
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 4.2	\$ 9.0
Restricted cash and cash equivalents	111.3	92.4
Restricted securities available for sale	53.6	46.1
Loans receivable (including \$7.5 and \$5.9 from affiliates as of December 31, 2013 and December 31, 2012, respectively)	2,408.2	2,109.9
Allowance for credit losses	(195.4)	(176.4)
Loans receivable, net	2,212.8	1,933.5
Property and equipment, net	22.3	22.2
Income taxes receivable	1.1	1.1
Other assets	28.1	28.9
Total Assets	\$ 2,433.4	\$ 2,133.2
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 113.8	\$ 105.8
Revolving secured line of credit	102.8	43.5
Secured financing	935.6	853.0
Mortgage note	3.8	4.0
Senior notes	350.2	350.3
Deferred income taxes, net	157.2	148.4
Income taxes payable	19.9	6.3
Total Liabilities	1,683.3	1,511.3
<b>Commitments and Contingencies - See Note 17</b>		
<b>Shareholders' Equity:</b>		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$.01 par value, 80,000,000 shares authorized, 22,943,078 and 24,114,896 shares issued and outstanding as of December 31, 2013 and December 31, 2012, respectively	0.2	0.2
Paid-in capital	63.2	53.4
Retained earnings	686.9	568.4
Accumulated other comprehensive loss	(0.2)	(0.1)
Total Shareholders' Equity	750.1	621.9
Total Liabilities and Shareholders' Equity	\$ 2,433.4	\$ 2,133.2

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

(In millions, except share and per share data)

	For the Years Ended December 31,		
	2013	2012	2011
<b>Revenue:</b>			
Finance charges	\$ 590.4	\$ 538.2	\$ 460.6
Premiums earned	51.5	47.1	40.0
Other income	40.2	23.9	24.6
Total revenue	682.1	609.2	525.2
<b>Costs and expenses:</b>			
Salaries and wages	87.3	82.2	63.0
General and administrative	34.4	30.5	25.6
Sales and marketing	34.5	31.2	23.6
Provision for credit losses	21.9	24.0	29.0
Interest	65.0	63.4	57.2
Provision for claims	40.8	34.8	30.4
Total costs and expenses	283.9	266.1	228.8
Income before provision for income taxes	398.2	343.1	296.4
Provision for income taxes	145.1	123.4	108.4
Net income	\$ 253.1	\$ 219.7	\$ 188.0
<b>Net income per share:</b>			
Basic	\$ 10.61	\$ 8.65	\$ 7.15
Diluted	\$ 10.54	\$ 8.58	\$ 7.07
<b>Weighted average shares outstanding:</b>			
Basic	23,850,789	25,409,655	26,302,289
Diluted	24,009,593	25,598,956	26,600,855

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	For the Years Ended December 31,		
	2013	2012	2011
Net income	\$ 253.1	\$ 219.7	\$ 188.0
Other comprehensive income (loss):			
Unrealized gain on cash flow hedge, net of tax of \$(0.1) for 2011	—	—	0.1
Unrealized loss on securities, net of tax of \$0.1 for 2012	(0.1)	(0.1)	—
Other comprehensive income (loss)	(0.1)	(0.1)	0.1
Comprehensive income	\$ 253.0	\$ 219.6	\$ 188.1

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions, except share data)

	Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number	Amount				
Balance, January 1, 2011	27,303,946	\$ 0.3	\$ 31.0	\$ 443.3	\$ (0.1)	\$ 474.5
Net income	—	—	—	188.0	—	188.0
Other comprehensive income	—	—	—	—	0.1	0.1
Stock-based compensation	—	—	1.9	—	—	1.9
Restricted stock awards, net of forfeitures	(842)	—	—	—	—	—
Repurchase of common stock	(1,979,444)	—	(0.4)	(130.4)	—	(130.8)
Stock options exercised	300,024	—	2.9	—	—	2.9
Tax benefits from stock-based compensation plans	—	—	3.4	—	—	3.4
Balance, December 31, 2011	25,623,684	0.3	38.8	500.9	—	540.0
Net income	—	—	—	219.7	—	219.7
Other comprehensive income (loss)	—	—	—	—	(0.1)	(0.1)
Stock-based compensation	—	—	12.2	—	—	12.2
Restricted stock awards, net of forfeitures	195,679	—	—	—	—	—
Repurchase of common stock	(1,740,372)	(0.1)	(0.2)	(152.2)	—	(152.5)
Stock options exercised	35,905	—	0.6	—	—	0.6
Tax benefits from stock-based compensation plans	—	—	2.0	—	—	2.0
Balance, December 31, 2012	24,114,896	0.2	53.4	568.4	(0.1)	621.9
Net income	—	—	—	253.1	—	253.1
Other comprehensive income (loss)	—	—	—	—	(0.1)	(0.1)
Stock-based compensation	—	—	8.5	—	—	8.5
Restricted stock awards, net of forfeitures	8,349	—	—	—	—	—
Repurchase of common stock	(1,216,015)	—	(0.6)	(134.6)	—	(135.2)
Restricted stock units converted to common stock	848	—	—	—	—	—
Stock options exercised	35,000	—	0.6	—	—	0.6
Tax benefits from stock-based compensation plans	—	—	1.3	—	—	1.3
Balance, December 31, 2013	22,943,078	\$ 0.2	\$ 63.2	\$ 686.9	\$ (0.2 )	\$ 750.1

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	For the Years Ended December 31,		
	2013	2012	2011
<b>Cash Flows From Operating Activities:</b>			
Net income	\$ 253.1	\$ 219.7	\$ 188.0
Adjustments to reconcile cash provided by operating activities:			
Provision for credit losses	21.9	24.0	29.0
Depreciation	5.4	5.1	4.1
Amortization	7.8	7.1	5.9
Loss on retirement of property and equipment	0.1	—	—
Provision for deferred income taxes	8.8	25.0	15.3
Stock-based compensation	8.5	12.2	1.9
Change in operating assets and liabilities:			
Increase in accounts payable and accrued liabilities	8.0	10.0	20.7
(Increase) decrease in income taxes receivable	—	(0.6)	11.5
Increase in income taxes payable	13.6	4.8	1.5
(Increase) decrease in other assets	(1.5)	1.3	(2.2)
Net cash provided by operating activities	325.7	308.6	275.7
<b>Cash Flows From Investing Activities:</b>			
(Increase) decrease in restricted cash and cash equivalents	(18.9)	12.3	(38.1)
Purchases of restricted securities available for sale	(105.7)	(57.1)	(0.5)
Proceeds from sale of restricted securities available for sale	11.6	2.0	0.1
Maturities of restricted securities available for sale	86.2	9.6	0.4
Principal collected on Loans receivable	1,334.4	1,162.8	996.9
Advances to Dealers	(1,356.6)	(1,253.6)	(1,152.5)
Purchases of Consumer Loans	(124.0)	(108.8)	(122.2)
Accelerated payments of Dealer Holdback	(40.4)	(43.7)	(47.4)
Payments of Dealer Holdback	(114.2)	(115.7)	(85.2)
Net (increase) decrease in other loans	(0.4)	0.1	0.8
Purchases of property and equipment	(5.6)	(8.8)	(6.3)
Net cash used in investing activities	(333.6)	(400.9)	(454.0)
<b>Cash Flows From Financing Activities:</b>			
Borrowings under revolving secured line of credit	2,816.6	2,507.4	2,384.9
Repayments under revolving secured line of credit	(2,757.3)	(2,507.8)	(2,477.7)
Proceeds from secured financing	1,004.7	1,742.0	1,164.5
Repayments of secured financing	(922.1)	(1,488.3)	(865.3)
Principal payments under mortgage note	(0.2)	(0.3)	(0.3)
Proceeds from sale of senior notes	—	—	106.0
Payments of debt issuance costs	(5.3)	(6.5)	(8.4)
Repurchase of common stock	(135.2)	(152.5)	(130.8)
Proceeds from stock options exercised	0.6	0.6	2.9
Tax benefits from stock-based compensation plans	1.3	2.0	3.4
Net cash provided by financing activities	3.1	96.6	179.2
Net (decrease) increase in cash and cash equivalents	(4.8)	4.3	0.9
Cash and cash equivalents, beginning of period	9.0	4.7	3.8
Cash and cash equivalents, end of period	\$ 4.2	\$ 9.0	\$ 4.7
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash paid during the period for interest	\$ 57.5	\$ 56.2	\$ 51.4
Cash paid during the period for income taxes	\$ 119.6	\$ 92.4	\$ 76.5

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. DESCRIPTION OF BUSINESS**

*Principal Business.* Since 1972, Credit Acceptance Corporation (referred to as the “Company”, “Credit Acceptance”, “we”, “our” or “us”) has offered automobile dealers financing programs that enable them to sell vehicles to consumers, regardless of their credit history. Our financing programs are offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our product, but who actually end up qualifying for traditional financing.

We refer to automobile dealers who participate in our programs and who share our commitment to changing consumers’ lives as “Dealers”. Upon enrollment in our financing programs, the Dealer enters into a Dealer servicing agreement with us that defines the legal relationship between Credit Acceptance and the Dealer. The Dealer servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on retail installment contracts (referred to as “Consumer Loans”) from the Dealers to us. We are an indirect lender from a legal perspective, meaning the Consumer Loan is originated by the Dealer and assigned to us.

We have two programs: the Portfolio Program and the Purchase Program. Under the Portfolio Program, we advance money to Dealers (referred to as a “Dealer Loan”) in exchange for the right to service the underlying Consumer Loans. Under the Purchase Program, we buy the Consumer Loans from the Dealers (referred to as a “Purchased Loan”) and keep all amounts collected from the consumer. Dealer Loans and Purchased Loans are collectively referred to as “Loans”. The following table shows the percentage of Consumer Loans assigned to us based on unit volumes under each of the programs for each of the last three years:

<b>For the Years Ended December 31,</b>	<b>Portfolio Program</b>	<b>Purchase Program</b>
2011	92.5%	7.5%
2012	93.7%	6.3%
2013	93.5%	6.5%

**Portfolio Program**

As payment for the vehicle, the Dealer generally receives the following:

- a down payment from the consumer;
- a non-recourse cash payment (“advance”) from us; and
- after the advance has been recovered by us, the cash from payments made on the Consumer Loan, net of certain collection costs and our servicing fee (“Dealer Holdback”).

We record the amount advanced to the Dealer as a Dealer Loan, which is classified within Loans receivable in our consolidated balance sheets. Cash advanced to the Dealer is automatically assigned to the Dealer’s open pool of advances. We generally require Dealers to group advances into pools of at least 100 Consumer Loans. At the Dealer’s option, a pool containing at least 100 Consumer Loans can be closed and subsequent advances assigned to a new pool. All advances within a Dealer’s pool are secured by the future collections on the related Consumer Loans assigned to the pool. For Dealers with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for Dealer Holdback. We perfect our security interest in the Dealer Loans by taking possession of the Consumer Loans, which list us as lien holder on the vehicle title.

The Dealer servicing agreement provides that collections received by us during a calendar month on Consumer Loans assigned by a Dealer are applied on a pool-by-pool basis as follows:

- First, to reimburse us for certain collection costs;
- Second, to pay us our servicing fee, which generally equals 20% of collections;
- Third, to reduce the aggregate advance balance and to pay any other amounts due from the Dealer to us; and
- Fourth, to the Dealer as payment of Dealer Holdback.

If the collections on Consumer Loans from a Dealer’s pool are not sufficient to repay the advance balance and any other amounts due to us, the Dealer will not receive Dealer Holdback.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

### 1. DESCRIPTION OF BUSINESS – (Concluded)

Dealers have an opportunity to receive an accelerated Dealer Holdback payment each time 100 Consumer Loans have been assigned to us. The amount paid to the Dealer is calculated using a formula that considers the forecasted collections and the advance balance on the related Consumer Loans.

Since typically the combination of the advance and the consumer's down payment provides the Dealer with a cash profit at the time of sale, the Dealer's risk in the Consumer Loan is limited. We cannot demand repayment of the advance from the Dealer except in the event the Dealer is in default of the Dealer servicing agreement. Advances are made only after the consumer and Dealer have signed a Consumer Loan contract, we have received the original Consumer Loan contract and supporting documentation, and we have approved all of the related stipulations for funding. The Dealer can also opt to repurchase Consumer Loans that have been assigned to us under the Portfolio Program, at their discretion, for a fee.

For accounting purposes, the transactions described under the Portfolio Program are not considered to be loans to consumers. Instead, our accounting reflects that of a lender to the Dealer. The classification as a Dealer Loan for accounting purposes is primarily a result of (1) the Dealer's financial interest in the Consumer Loan and (2) certain elements of our legal relationship with the Dealer.

#### Purchase Program

The Purchase Program differs from our Portfolio Program in that the Dealer receives a one-time payment from us at the time of assignment to purchase the Consumer Loan instead of a cash advance at the time of assignment and future Dealer Holdback payments. For accounting purposes, the transactions described under the Purchase Program are considered to be originated by the Dealer and then purchased by us.

#### Program Enrollment

Dealers may enroll in our program by choosing one of our two enrollment options (referred to as "Option A" and "Option B"). In recent years, the terms of Option A have remained consistent while the terms of Option B have varied. The following table summarizes the terms of our enrollment options for the three year period ending December 31, 2013:

Effective Period	Option A	Option B
Since June 1, 2011	Upfront, one-time fee of \$9,850	Agreement to allow us to retain 50% of their first accelerated Dealer Holdback payment
Prior to June 1, 2011	Upfront, one-time fee of \$9,850	Upfront, one-time fee of \$1,950 and agreement to allow us to retain 50% of their first accelerated Dealer Holdback payment

Dealers are granted access to the Portfolio Program upon enrollment. Access to the Purchase Program is limited and is typically only granted to Dealers that either have received their first accelerated Dealer Holdback payment under the Portfolio Program or are franchise dealerships.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Principles of Consolidation**

The consolidated financial statements include our accounts and our wholly-owned subsidiaries. All significant intercompany transactions have been eliminated. Our primary subsidiaries as of December 31, 2013 are: Buyer's Vehicle Protection Plan, Inc. ("BVPP"), Vehicle Remarketing Services, Inc. ("VRS"), VSC Re Company ("VSC Re"), CAC Warehouse Funding Corp. II, CAC Warehouse Funding III, LLC, CAC Warehouse Funding LLC IV, Credit Acceptance Funding LLC 2011-1, Credit Acceptance Funding LLC 2012-1, Credit Acceptance Funding LLC 2012-2, Credit Acceptance Funding LLC 2013-1 and Credit Acceptance Funding LLC 2013-2.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)****Business Segment Information**

We currently operate in one reportable segment which represents our core business of offering Dealers financing programs and related products and services that enable them to sell vehicles to consumers regardless of their credit history. For information regarding our one reportable segment and related entity wide disclosures, see Note 16 to the consolidated financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounts which are subject to significant estimation include the allowance for credit losses, finance charge revenue, premiums earned, stock-based compensation expense, contingencies, and uncertain tax positions. Actual results could materially differ from those estimates.

**Cash and Cash Equivalents**

Cash equivalents consist of readily marketable securities with original maturities at the date of acquisition of three months or less. As of December 31, 2013 and 2012, we had \$3.6 million and \$4.8 million, respectively, in cash and cash equivalents that were not insured by the Federal Deposit Insurance Corporation (“FDIC”).

**Restricted Cash and Cash Equivalents**

The following table summarizes restricted cash and cash equivalents:

(In millions)	As of December 31,	
	2013	2012
Cash related to secured financings	\$ 110.1	\$ 90.2
Cash held in VSC Re trusts for future vehicle service contract claims (1)	1.2	2.2
Total restricted cash and cash equivalents	<u>\$ 111.3</u>	<u>\$ 92.4</u>

(1) The unearned premium and claims reserve associated with the trusts are included in accounts payable and accrued liabilities in the consolidated balance sheets.

As of December 31, 2013 and 2012, we had \$109.5 million and \$82.0 million, respectively, in restricted cash and cash equivalents that were not insured by the FDIC.

**Restricted Securities Available for Sale**

Restricted securities available for sale consist of amounts held in trusts related to VSC Re. We determine the appropriate classification of our investments in debt securities at the time of purchase and reevaluate such determinations at each balance sheet date. Debt securities for which we do not have the intent or ability to hold to maturity are classified as available for sale, and stated at fair value with unrealized gains and losses, net of income taxes included in the determination of comprehensive income and reported as a component of shareholders’ equity.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)****Finance Charges**

Finance charges is comprised of: (1) servicing fees earned as a result of servicing Consumer Loans assigned to us by Dealers under the Portfolio Program; (2) finance charge income from Purchased Loans; (3) fees earned from our third party ancillary product offerings; (4) monthly program fees charged to Dealers under the Portfolio Program; and (5) fees associated with certain Loans. We recognize finance charges under the interest method such that revenue is recognized on a level-yield basis based upon forecasted cash flows. For Dealer Loans only, certain direct origination costs such as salaries and credit reports are deferred and the net costs are recognized as an adjustment to finance charges over the life of the related Dealer Loan on a level-yield basis.

We provide Dealers the ability to offer vehicle service contracts to consumers through our relationships with Third Party Providers (“TPPs”). A vehicle service contract provides the consumer protection by paying for the repair or replacement of certain components of the vehicle in the event of a mechanical failure. We provide Dealers with an additional advance based on the retail price of the vehicle service contract. TPPs process claims on vehicle service contracts that are underwritten by third party insurers. We receive a fee for all vehicle service contracts sold by our Dealers when the vehicle is financed by us. The fee is included in the retail price of the vehicle service contract which is added to the Consumer Loan. We recognize our fee from the vehicle service contracts as part of finance charges on a level-yield basis based upon forecasted cash flows. We bear the risk of loss for claims on certain vehicle service contracts that are reinsured by us. We market the vehicle service contracts directly to our Dealers.

We provide Dealers the ability to offer a Guaranteed Asset Protection (“GAP”) product to consumers through our relationships with TPPs. GAP provides the consumer protection by paying the difference between the loan balance and the amount covered by the consumer’s insurance policy in the event of a total loss of the vehicle due to severe damage or theft. We provide Dealers with an additional advance based on the retail price of the GAP contract. TPPs process claims on GAP contracts that are underwritten by third party insurers. We receive a fee for all GAP contracts sold by our Dealers when the vehicle is financed by us, and do not bear any risk of loss for claims. The fee is included in the retail price of the GAP contract which is added to the Consumer Loan. We recognize our fee from the GAP contracts as part of finance charges on a level-yield basis based upon forecasted cash flows.

Program fees represent monthly fees charged to Dealers for access to our Credit Approval Processing System (“CAPS”); administration, servicing and collection services offered by us; documentation related to or affecting our program; and all tangible and intangible property owned by Credit Acceptance. We charge a monthly fee of \$599 to Dealers participating in our Portfolio Program and we collect it from future Dealer Holdback payments. As a result, we record program fees under the Portfolio Program as a yield adjustment, recognizing these fees as finance charge revenue over the forecasted net cash flows of the Dealer Loan.

**Reinsurance**

VSC Re, our wholly-owned subsidiary, is engaged in the business of reinsuring coverage under vehicle service contracts sold to consumers by Dealers on vehicles financed by us. VSC Re currently reinsures vehicle service contracts that are underwritten by one of our third party insurers. Vehicle service contract premiums, which represent the selling price of the vehicle service contract to the consumer, less fees and certain administrative costs, are contributed to trust accounts controlled by VSC Re. These premiums are used to fund claims covered under the vehicle service contracts. VSC Re is a bankruptcy remote entity. As such, our exposure to fund claims is limited to the trust assets controlled by VSC Re and our net investment in VSC Re.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Premiums from the reinsurance of vehicle service contracts are recognized over the life of the policy in proportion to expected costs of servicing those contracts. Expected costs are determined based on our historical claims experience. Claims are expensed through a provision for claims in the period the claim was incurred. Capitalized acquisition costs are comprised of premium taxes and are amortized as general and administrative expense over the life of the contracts in proportion to premiums earned. A summary of reinsurance activity is as follows:

(In millions)	For the Years Ended December 31,			
	2013	2012	2011	
Net assumed written premiums	\$ 58.2	\$ 50.5	\$ 47.6	
Net premiums earned	51.5	47.1	40.0	
Provision for claims	40.8	34.8	30.4	
Amortization of capitalized acquisition costs	1.3	1.3	1.0	

We are considered the primary beneficiary of the trusts and as a result, the trusts have been consolidated on our balance sheet. The trust assets and related reinsurance liabilities are as follows:

(In millions)		As of December 31,			
		Balance Sheet location	2013	2012	
Trust assets	Restricted cash and cash equivalents		\$ 1.2	\$ 2.2	
Trust assets	Restricted securities available for sale		53.6	46.1	
Unearned premium	Accounts payable and accrued liabilities		42.4	35.7	
Claims reserve (1)	Accounts payable and accrued liabilities		1.7	1.4	

(1) The claims reserve is estimated based on historical claims experience.

Our determination to consolidate the VSC Re trusts was based on the following:

- First, we determined that the trusts qualified as variable interest entities. The trusts have insufficient equity at risk as no parties to the trusts were required to contribute assets that provide them with any ownership interest.
- Next, we determined that we have variable interests in the trusts. We have a residual interest in the assets of the trusts, which is variable in nature, given that it increases or decreases based upon the actual loss experience of the related service contracts. In addition, VSC Re is required to absorb any losses in excess of the trusts' assets.
- Next, we evaluated the purpose and design of the trusts. The primary purpose of the trusts is to provide TPPs with funds to pay claims on vehicle service contracts and to accumulate and provide us with proceeds from investment income and residual funds.
- Finally, we determined that we are the primary beneficiary of the trusts. We control the amount of premium written and placed in the trusts through Consumer Loan assignments under our Programs, which is the activity that most significantly impacts the economic performance of the trusts. We have the right to receive benefits from the trusts that could potentially be significant. In addition, VSC Re has the obligation to absorb losses of the trusts that could potentially be significant.

#### Other Income

Other income consists of the following:

(In millions)	For the Years Ended December 31,			
	2013	2012	2011	
Vendor fees	\$ 15.0	\$ 7.8	\$ 4.2	
Dealer support products and services	9.8	8.0	7.3	
Ancillary product profit sharing income	8.3	3.4	7.8	
Dealer enrollment fees	4.5	4.0	3.5	
Other	2.6	0.7	1.8	
Total	\$ 40.2	\$ 23.9	\$ 24.6	

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Vendor fees primarily consist of fees we receive from TPPs for providing Dealers in certain states the ability to purchase Global Positioning Systems (“GPS”) with Starter Interrupt Devices (“SID”). Through this program, Dealers can install a GPS-based SID (“GPS-SID”) on vehicles financed by us that can be activated if the consumer fails to make payments on their account, and can result in the prompt repossession of the vehicle. Dealers purchase the GPS-SID directly from TPPs and the TPPs pay us a vendor fee for each device sold. GPS-SID income is recognized when the unit is sold. Vendor fees also include fee payments received on a monthly basis from vendors that process payments. We recognize these fees as income in the period the services are provided.

Dealer support products and services revenue primarily consists of remarketing fees retained from the sale of repossessed vehicles by VRS, our wholly-owned subsidiary that is responsible for remarketing vehicles for Credit Acceptance. VRS coordinates vehicle repossessions with a nationwide network of repossession agents, the redemption of the vehicle by the consumer, or the sale of the vehicle through a nationwide network of vehicle auctions. VRS recognizes income from the retained fees at the time of the sale and does not retain a fee if a repossessed vehicle is redeemed by the consumer prior to the sale. Dealer support products and services revenue also includes income from products and services provided to Dealers to assist with their vehicle inventory and is recognized in the period the service is provided.

Ancillary product profit sharing income consists of payments received from TPPs based upon the performance of GAP and vehicle service contract products. GAP profit sharing payments are received once a year, if eligible. Prior to the second quarter of 2011, we received and recognized GAP profit sharing payments annually in the first quarter of each year as the payments were not estimable. During the second quarter of 2011, we began recognizing this income over the life of the GAP contracts. During 2012, we entered into a new profit sharing arrangement with one of our vehicle service contract TPPs. Vehicle service contract profit sharing payments are received twice a year, if eligible, and are recognized as income over the life of the vehicle service contracts.

Dealer enrollment fees include fees from Dealers that enroll in our programs. Depending on the enrollment option selected by the Dealer and the date of enrollment, Dealers may have enrolled by paying us an upfront, one-time fee, agreeing to allow us to retain 50% of their first accelerated Dealer Holdback payment, or both. For additional information regarding program enrollment, see Note 1 to the consolidated financial statements. A portion of the \$9,850 upfront, one-time fee and all of the \$1,950 upfront, one-time fee are considered to be Dealer support products and services revenue. The remaining portion of the \$9,850 fee is considered to be a Dealer enrollment fee, which is amortized on a straight-line basis over the estimated life of the Dealer relationship. The 50% portion of the first accelerated Dealer Holdback payment is also considered to be a Dealer enrollment fee. We do not recognize any of this Dealer enrollment fee until the Dealer has met the eligibility requirements to receive an accelerated Dealer Holdback payment and the amount of the first payment, if any, has been calculated. Once the accelerated Dealer Holdback payment has been calculated, we defer the 50% portion that we keep and recognize it on a straight-line basis over the remaining estimated life of the Dealer relationship.

**Loans Receivable and Allowance for Credit Losses**

*Consumer Loan Assignment.* For accounting and financial reporting purposes, a Consumer Loan is considered to have been assigned to us after all of the following has occurred:

- the consumer and Dealer have signed a Consumer Loan contract;
- we have received the original Consumer Loan contract and supporting documentation;
- we have approved all of the related stipulations for funding; and
- we have provided funding to the Dealer in the form of either an advance under the Portfolio Program or one-time purchase payment under the Purchase Program.

*Portfolio Segments and Classes.* We are considered to be a lender to our Dealers for Consumer Loans assigned under our Portfolio Program and a purchaser of Consumer Loans assigned under our Purchase Program. As a result, our Loan portfolio consists of two portfolio segments: Dealer Loans and Purchased Loans. Each portfolio segment is comprised of one class of Consumer Loan assignments, which is Consumer Loans with deteriorated credit quality that were originated by Dealers to finance consumer purchases of vehicles and related ancillary products.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

*Dealer Loans.* Amounts advanced to Dealers for Consumer Loans assigned under the Portfolio Program are recorded as Dealer Loans and are aggregated by Dealer for purposes of recognizing revenue and evaluating impairment. We account for Dealer Loans in a manner consistent with loans acquired with deteriorated credit quality. The outstanding balance of each Dealer Loan included in Loans receivable is comprised of the following:

- the aggregate amount of all cash advances paid;
- finance charges;
- Dealer Holdback payments;
- accelerated Dealer Holdback payments; and
- recoveries.

Less:

- collections (net of certain collection costs); and
- write-offs.

An allowance for credit losses is maintained at an amount that reduces the net asset value (Dealer Loan balance less the allowance) to the value of forecasted future cash flows discounted at the yield established at the time of assignment. This allowance calculation is completed for each individual Dealer. The discounted value of future cash flows is comprised of estimated future collections on the Consumer Loans, less any estimated Dealer Holdback payments. We write off Dealer Loans once there are no forecasted future cash flows on any of the associated Consumer Loans, which generally occurs 120 months after the last Consumer Loan assignment.

Future collections on Dealer Loans are forecasted based on the historical performance of Consumer Loans with similar characteristics, adjusted for recent trends in payment patterns. Dealer Holdback is forecasted based on the expected future collections and current advance balance of each Dealer Loan. Cash flows from any individual Dealer Loan are often different than estimated cash flows at the time of assignment. If such difference is favorable, the difference is recognized prospectively into income over the remaining life of the Dealer Loan through a yield adjustment. If such difference is unfavorable, a provision for credit losses is recorded immediately as a current period expense and a corresponding allowance for credit losses is established. Because differences between estimated cash flows at the time of assignment and actual cash flows occur often, an allowance is required for a significant portion of our Dealer Loan portfolio. An allowance for credit losses does not necessarily indicate that a Dealer Loan is unprofitable, and seldom are cash flows from a Dealer Loan insufficient to repay the initial amounts advanced to the Dealer.

*Purchased Loans.* Amounts paid to Dealers for Consumer Loans assigned under the Purchase Program are recorded as Purchased Loans and are aggregated into pools based on the month of purchase for purposes of recognizing revenue and evaluating impairment. We account for Purchased Loans as loans acquired with deteriorated credit quality. The outstanding balance of each Purchased Loan pool included in Loans receivable is comprised of the following:

- the aggregate amount of all amounts paid during the month of purchase to purchase Consumer Loans from Dealers;
- finance charges; and
- recoveries.

Less:

- collections (net of certain collection costs); and
- write-offs.

An allowance for credit losses is maintained at an amount that reduces the net asset value (Purchased Loan pool balance less the allowance) to the value of forecasted future cash flows discounted at the yield established at the time of assignment. This allowance calculation is completed for each individual monthly pool of Purchased Loans. The discounted value of future cash flows is comprised of estimated future collections on the pool of Purchased Loans. We write off pools of Purchased Loans once there are no forecasted future cash flows on any of the Purchased Loans included in the pool, which generally occurs 120 months after the month of purchase.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Future collections on Purchased Loans are forecasted based on the historical performance of Consumer Loans with similar characteristics, adjusted for recent trends in payment patterns. Cash flows from any individual pool of Purchased Loans are often different than estimated cash flows at the time of assignment. If such difference is favorable, the difference is recognized prospectively into income over the remaining life of the pool of Purchased Loans through a yield adjustment. If such difference is unfavorable, a provision for credit losses is recorded immediately as a current period expense and a corresponding allowance for credit losses is established.

*Credit Quality.* Substantially all of the Consumer Loans assigned to us are made to individuals with impaired or limited credit histories or higher debt-to-income ratios than are permitted by traditional lenders. Consumer Loans made to these individuals generally entail a higher risk of delinquency, default and repossession and higher losses than loans made to consumers with better credit. Since most of our revenue and cash flows are generated from these Consumer Loans, our ability to accurately forecast Consumer Loan performance is critical to our business and financial results. At the time the Consumer Loan is submitted to us for assignment, we forecast future expected cash flows from the Consumer Loan. Based on these forecasts, an advance or one-time purchase payment is made to the related Dealer at a price designed to achieve an acceptable return on capital.

We monitor and evaluate the credit quality of Consumer Loans on a monthly basis by comparing our current forecasted collection rates to our initial expectations. We use a statistical model that considers a number of credit quality indicators to estimate the expected collection rate for each Consumer Loan at the time of assignment. The credit quality indicators considered in our model include attributes contained in the consumer's credit bureau report, data contained in the consumer's credit application, the structure of the proposed transaction, vehicle information and other factors. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment primarily through the monitoring of consumer payment behavior. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. Since all known, significant credit quality indicators have already been factored into our forecasts and pricing, we are not able to use any specific credit quality indicators to predict or explain variances in actual performance from our initial expectations. Any variances in performance from our initial expectations are the result of Consumer Loans performing differently than historical Consumer Loans with similar characteristics. We periodically adjust our statistical pricing model for new trends that we identify through our evaluation of these forecasted collection rate variances.

When overall forecasted collection rates underperform our initial expectations, the decline in forecasted collections has a more adverse impact on the profitability of the Purchased Loans than on the profitability of the Dealer Loans. For Purchased Loans, the decline in forecasted collections is absorbed entirely by us. For Dealer Loans, the decline in the forecasted collections is substantially offset by a decline in forecasted payments of Dealer Holdback.

*Methodology Changes.* For the year ended December 31, 2012, we enhanced the computations used to account for Dealer Loans and for the year ended December 31, 2013, we enhanced our methodology for forecasting future collections on Loans, both of which are described more fully in Note 5 to the consolidated financial statements. For the three year period ended December 31, 2013, we did not make any other methodology changes for Loans that had a material impact on our financial results.

**Property and Equipment**

Purchases of property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful life of the asset. Estimated useful lives are generally as follows: buildings – 40 years, building improvements – 10 years, data processing equipment – 3 years, software – 5 years, office furniture and equipment – 7 years, and leasehold improvements – the lesser of the lease term or 7 years. The cost of assets sold or retired and the related accumulated depreciation are removed from the balance sheet at the time of disposition and any resulting gain or loss is included in operations. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and improvements are capitalized. We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Costs incurred during the application development stage of software developed for internal use are capitalized and generally depreciated on a straight-line basis over five years. Costs incurred to maintain existing product offerings are expensed as incurred. For additional information regarding our property and equipment, see Note 7 to the consolidated financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)****Deferred Debt Issuance Costs**

As of December 31, 2013 and 2012, deferred debt issuance costs were \$15.1 million and \$17.5 million, respectively, and are included in other assets in the consolidated balance sheets. Expenses associated with the issuance of debt instruments are capitalized and amortized as interest expense over the term of the debt instrument using the effective interest method for asset-backed secured financings (“Term ABS”) and senior notes and the straight-line method for lines of credit and revolving secured warehouse (“Warehouse”) facilities.

**Income Taxes**

Provisions for federal, state and foreign income taxes are calculated on reported pre-tax earnings based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered.

We follow a two-step approach for recognizing uncertain tax positions. First, we evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more-likely-than-not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, for positions that we determine are more-likely-than-not to be sustained, we recognize the tax benefit as the largest benefit that has a greater than 50% likelihood of being sustained. We establish a reserve for uncertain tax positions liability that is comprised of unrecognized tax benefits and related interest. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. We recognize interest and penalties related to uncertain tax positions in the provision for income taxes. For additional information regarding our income taxes, see Note 11 to the consolidated financial statements.

**Derivative and Hedging Instruments**

We rely on various sources of financing, some of which contain floating rates of interest and expose us to risks associated with increases in interest rates. We manage such risk primarily by entering into interest rate cap and interest rate swap agreements (“derivative instruments”).

For derivative instruments that are designated and qualify as hedging instruments, we formally document all relationships between the hedging instruments and hedged items, as well as their risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative instruments that are designated as cash flow hedges to specific assets and liabilities on the balance sheet. We also formally assess (both at the hedge’s inception and on a quarterly basis) whether the derivative instruments that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivative instruments may be expected to remain highly effective in the future periods. The effective portion of changes in the fair value of the derivative instruments is recorded in other comprehensive income, net of income taxes. If it is determined that a derivative instrument is not (or has ceased to be) highly effective as a hedge, we would discontinue hedge accounting prospectively and the ineffective portion of changes in fair value would be recorded in interest expense. For derivative instruments not designated as hedges, changes in the fair value of these agreements increase or decrease interest expense.

We recognize derivative instruments as either other assets or accounts payable and accrued liabilities on our consolidated balance sheets. For additional information regarding our derivative and hedging instruments, see Note 9 to the consolidated financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)****Stock-Based Compensation Plans**

We have stock-based compensation plans for team members and non-employee directors, which are described more fully in Note 14 to the consolidated financial statements. We apply a fair-value-based measurement method in accounting for stock-based compensation plans and recognize stock-based compensation expense over the requisite service period of the grant as salaries and wages expense.

**Employee Benefit Plan**

We sponsor a 401(k) plan that covers substantially all of our team members. We offer matching contributions to the 401(k) plan based on each enrolled team members' eligible annual gross pay (subject to statutory limitations). Our matching contribution rate is equal to 100% of the first 1% participants contribute and an additional 50% of the next 5% participants contribute, for a maximum matching contribution of 3.5% of each participant's eligible annual gross pay. For the years ended December 31, 2013, 2012 and 2011, we recognized compensation expense of \$2.2 million, \$1.8 million, and \$1.6 million, respectively, for our matching contributions to the plan.

**Advertising Costs**

Advertising costs are expensed as incurred. For the years ended December 31, 2013, 2012 and 2011, advertising expenses were \$0.2 million, in each year.

**New Accounting Updates**

*Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts.* In October 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-26, which amends Topic 944 (Financial Services – Insurance). ASU No. 2010-26 is intended to address diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify for deferral. The amendments specify which costs incurred in the acquisition of new and renewal contracts should be capitalized. ASU No. 2010-26 is effective for fiscal years beginning after December 15, 2011. While the guidance in this ASU is required to be applied prospectively upon adoption, retrospective application is also permitted (to all prior periods presented). Early adoption is also permitted, but only at the beginning of an entity's annual reporting period. The adoption of ASU No. 2010-26 on January 1, 2012 did not have a material impact on our consolidated financial statements.

*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* In May 2011, the FASB issued ASU No. 2011-04 which amends Topic 820 (Fair Value Measurement). ASU No. 2011-04 is intended to provide a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. The amendments in ASU No. 2011-04 include changes regarding how and when the valuation premise of highest and best use applies, the application of premiums and discounts, and new required disclosures. ASU No. 2011-04 is to be applied prospectively upon adoption and is effective for interim and annual periods beginning after December 15, 2011 with early adoption prohibited. The adoption of ASU No. 2011-04 on January 1, 2012 did not have a material impact on our consolidated financial statements, but expanded our disclosures related to fair value measurements.

*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* In February 2013, the FASB issued ASU No. 2013-2 which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. The new guidance requires an entity to disaggregate the total change of each component of other comprehensive income either on the face of the income statement or as a separate disclosure in the notes to the financial statements. The amendments in ASU 2013-02 do not change the current requirements for reporting net income or other comprehensive income in financial statements. ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The adoption of ASU No. 2013-2 on January 1, 2013 did not have a material impact on our consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Concluded)

*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* In July 2013, the FASB issued ASU No. 2013-11 which requires an entity to net its liability for unrecognized tax positions against a net operating loss carryforward, a similar tax loss or a tax credit carryforward when settlement in this manner is available under the tax law. ASU 2013-11 is effective for fiscal years, and interim periods, beginning after December 15, 2013, with early adoption permitted. The adoption of ASU No. 2013-11 is not expected to have a material impact on our consolidated financial statements.

#### Subsequent Events

We have evaluated events and transactions occurring subsequent to the consolidated balance sheet date of December 31, 2013 for items that could potentially be recognized or disclosed in these financial statements. For additional information regarding subsequent events, see Note 18 to the consolidated financial statements.

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate their value.

*Cash and Cash Equivalents and Restricted Cash and Cash Equivalents.* The carrying amount of cash and cash equivalents and restricted cash and cash equivalents approximate their fair value due to the short maturity of these instruments.

*Restricted Securities Available for Sale.* Restricted securities consist of amounts held in trusts by TPPs to pay claims on vehicle service contracts. Securities for which we do not have the intent or ability to hold to maturity are classified as available for sale and stated at fair value. The fair value of restricted securities are generally based on quoted market values in active markets. For commercial paper and certificates of deposit, we use model-based valuation techniques for which all significant assumptions are observable in the market.

*Net Investment in Loans Receivable.* Loans receivable, net represents our net investment in Loans. The fair value is determined by calculating the present value of future Loan payment inflows and Dealer Holdback outflows estimated by us utilizing a discount rate comparable with the rate used to calculate our allowance for credit losses.

*Liabilities.* The fair value of our senior notes is determined using quoted market prices in an active market. The fair value of our Term ABS financings is also determined using quoted market prices, however, these instruments trade in a market with much lower trading volume. For our revolving secured line of credit, our Warehouse Facilities and our mortgage note, the fair values are calculated using the estimated value of each debt instrument based on current rates for debt with similar risk profiles and maturities.

A comparison of the carrying value and estimated fair value of these financial instruments is as follows:

	As of December 31,			
	2013		2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Assets</b>				
Cash and cash equivalents	\$ 4.2	\$ 4.2	\$ 9.0	\$ 9.0
Restricted cash and cash equivalents	111.3	111.3	92.4	92.4
Restricted securities available for sale	53.6	53.6	46.1	46.1
Net investment in Loans receivable	2,212.8	2,226.7	1,933.5	1,951.4
<b>Liabilities</b>				
Revolving secured line of credit	\$ 102.8	\$ 102.8	\$ 43.5	\$ 43.5
Secured financing	935.6	938.9	853.0	863.0
Mortgage note	3.8	3.8	4.0	4.0
Senior notes	350.2	367.1	350.3	381.9



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 3. FAIR VALUE OF FINANCIAL INSTRUMENTS – (Concluded)

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We group assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1	Valuation is based upon quoted prices for identical instruments traded in active markets.
Level 2	Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
Level 3	Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the asset or liability.

The following table provides the level of measurement used to determine the fair value for each of our financial instruments on a recurring basis, as of December 31, 2013 and 2012:

(In millions)

		As of December 31, 2013			
		Level 1	Level 2	Level 3	Total Fair Value
<b>Assets</b>					
Cash and cash equivalents	\$	4.2	\$ –	\$ –	\$ 4.2
Restricted cash and cash equivalents		111.3	–	–	111.3
Restricted securities available for sale		25.1	28.5	–	53.6
Net investment in Loans receivable		–	–	2,226.7	2,226.7
<b>Liabilities</b>					
Revolving secured line of credit	\$	–	\$ 102.8	\$ –	\$ 102.8
Secured financing		–	938.9	–	938.9
Mortgage note		–	3.8	–	3.8
Senior notes		367.1	–	–	367.1

(In millions)

		As of December 31, 2012			
		Level 1	Level 2	Level 3	Total Fair Value
<b>Assets</b>					
Cash and cash equivalents	\$	9.0	\$ –	\$ –	\$ 9.0
Restricted cash and cash equivalents		92.4	–	–	92.4
Restricted securities available for sale (1)		24.0	22.1	–	46.1
Net investment in Loans receivable		–	–	1,951.4	1,951.4
<b>Liabilities</b>					
Revolving secured line of credit	\$	–	\$ 43.5	\$ –	\$ 43.5
Secured financing		–	863.0	–	863.0
Mortgage note		–	4.0	–	4.0
Senior notes		381.9	–	–	381.9

(1) Certificates of deposit totaling \$3.3 million were reclassified from Level 1 to Level 2 to agree with current year presentation.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 4. RESTRICTED SECURITIES AVAILABLE FOR SALE

Restricted securities available for sale consist of the following:

(In millions)

	As of December 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	\$ 23.9	\$ –	\$ –	\$ 23.9
US Government and agency securities	22.3	–	(0.2)	22.1
Certificates of deposit	4.6	–	–	4.6
Corporate bonds	3.1	–	(0.1)	3.0
Total restricted securities available for sale	<u>\$ 53.9</u>	<u>\$ –</u>	<u>\$ (0.3)</u>	<u>\$ 53.6</u>

(In millions)

	As of December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
US Government and agency securities	\$ 20.6	\$ –	\$ (0.1)	\$ 20.5
Commercial paper	18.9	–	(0.1)	18.8
Corporate bonds	3.3	–	–	3.3
Certificates of deposit	3.3	–	–	3.3
Foreign Government bonds	0.2	–	–	0.2
Total restricted securities available for sale	<u>\$ 46.3</u>	<u>\$ –</u>	<u>\$ (0.2)</u>	<u>\$ 46.1</u>

The fair value and gross unrealized losses for restricted securities available for sale, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

(In millions)

	Securities Available for Sale with Gross Unrealized Losses as of December 31, 2013					
	Less than 12 Months		12 Months or More		Total Estimated Fair Value	Total Gross Unrealized Losses
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses		
Commercial paper	\$ 10.0	\$ –	\$ –	\$ –	\$ 10.0	\$ –
US Government and agency securities	11.8	(0.2)	–	–	11.8	(0.2)
Certificates of deposit	1.9	–	–	–	1.9	–
Corporate bonds	2.3	(0.1)	–	–	2.3	(0.1)
Total restricted securities available for sale	<u>\$ 26.0</u>	<u>\$ (0.3)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 26.0</u>	<u>\$ (0.3)</u>

(In millions)

	Securities Available for Sale with Gross Unrealized Losses as of December 31, 2012					
	Less than 12 Months		12 Months or More		Total Estimated Fair Value	Total Gross Unrealized Losses
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses		
US Government and agency securities	\$ 16.7	\$ (0.1)	\$ –	\$ –	\$ 16.7	\$ (0.1)
Commercial paper	2.8	(0.1)	–	–	2.8	(0.1)
Corporate bonds	2.3	–	–	–	2.3	–
Certificates of deposit	1.5	–	–	–	1.5	–
Foreign Government bonds	0.1	–	–	–	0.1	–
Total restricted securities available for sale	<u>\$ 23.4</u>	<u>\$ (0.2)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 23.4</u>	<u>\$ (0.2)</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 4. RESTRICTED SECURITIES AVAILABLE FOR SALE – (Concluded)

The cost and estimated fair values of debt securities by contractual maturity were as follows (securities with multiple maturity dates are classified in the period of final maturity). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In millions)	As of December 31,			
	2013		2012	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Contractual Maturity				
Within one year	\$ 41.6	\$ 41.6	\$ 33.8	\$ 33.7
Over one year to five years	7.8	7.8	8.6	8.6
Over five years to ten years	4.5	4.2	3.9	3.8
Total restricted securities available for sale	<u>\$ 53.9</u>	<u>\$ 53.6</u>	<u>\$ 46.3</u>	<u>\$ 46.1</u>

## 5. LOANS RECEIVABLE

Loans receivable consists of the following:

(In millions)	As of December 31, 2013		
	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 2,155.5	\$ 252.7	\$ 2,408.2
Allowance for credit losses	(185.7)	(9.7)	(195.4)
Loans receivable, net	<u>\$ 1,969.8</u>	<u>\$ 243.0</u>	<u>\$ 2,212.8</u>

(In millions)	As of December 31, 2012		
	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 1,869.4	\$ 240.5	\$ 2,109.9
Allowance for credit losses	(167.4)	(9.0)	(176.4)
Loans receivable, net	<u>\$ 1,702.0</u>	<u>\$ 231.5</u>	<u>\$ 1,933.5</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 5. LOANS RECEIVABLE – (Continued)

A summary of changes in Loans receivable is as follows:

	For the Year Ended December 31, 2013		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 1,869.4	\$ 240.5	\$ 2,109.9
New Consumer Loan assignments (1)	1,356.6	124.0	1,480.6
Principal collected on Loans receivable	(1,204.6)	(129.8)	(1,334.4)
Accelerated Dealer Holdback payments	40.4	–	40.4
Dealer Holdback payments	114.2	–	114.2
Transfers (2)	(17.9)	17.9	–
Write-offs	(5.2)	(0.1)	(5.3)
Recoveries (3)	2.2	0.2	2.4
Net change in other loans	0.4	–	0.4
Balance, end of period	\$ 2,155.5	\$ 252.7	\$ 2,408.2

	For the Year Ended December 31, 2012		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 1,506.5	\$ 246.4	\$ 1,752.9
New Consumer Loan assignments (1)	1,253.6	108.8	1,362.4
Principal collected on Loans receivable	(1,024.8)	(138.0)	(1,162.8)
Accelerated Dealer Holdback payments	43.7	–	43.7
Dealer Holdback payments	115.7	–	115.7
Transfers (2)	(23.8)	23.8	–
Write-offs	(3.6)	(0.6)	(4.2)
Recoveries (3)	2.2	0.1	2.3
Net change in other loans	(0.1)	–	(0.1)
Balance, end of period	\$ 1,869.4	\$ 240.5	\$ 2,109.9

	For the Year Ended December 31, 2011		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 1,082.0	\$ 262.9	\$ 1,344.9
New Consumer Loan assignments (1)	1,152.5	122.2	1,274.7
Principal collected on Loans receivable	(843.1)	(153.8)	(996.9)
Accelerated Dealer Holdback payments	47.4	–	47.4
Dealer Holdback payments	85.2	–	85.2
Transfers (2)	(15.5)	15.5	–
Write-offs	(3.0)	(0.5)	(3.5)
Recoveries (3)	1.8	0.1	1.9
Net change in other loans	(0.8)	–	(0.8)
Balance, end of period	\$ 1,506.5	\$ 246.4	\$ 1,752.9

- (1) The Dealer Loans amount represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.
- (2) Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance to Purchased Loans in the period this forfeiture occurs.
- (3) Represents collections received on previously written off Loans.

Contractual net cash flows are comprised of the contractual repayments of the underlying Consumer Loans for Dealer and Purchased Loans, less the related Dealer Holdback payments for Dealer Loans. The difference between the contractual net cash flows and the expected net cash flows is referred to as the nonaccretable difference. This difference is neither accreted into income nor recorded in our balance sheets. We do not believe that the contractual net cash flows of our Loan portfolio are relevant in assessing our financial position. We are contractually owed repayments on many Consumer Loans, primarily those older than 120 months, where we are not forecasting any future net cash flows.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 5. LOANS RECEIVABLE – (Continued)

The excess of expected net cash flows over the carrying value of the Loans is referred to as the accretable yield and is recognized on a level-yield basis as finance charge income over the remaining lives of the Loans. A summary of changes in the accretable yield is as follows:

	For the Year Ended December 31, 2013		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 602.9	\$ 115.2	\$ 718.1
New Consumer Loan assignments (1)	564.9	50.3	615.2
Finance charge income	(517.7)	(72.7)	(590.4)
Forecast changes	24.9	7.6	32.5
Transfers (2)	(7.5)	12.4	4.9
Balance, end of period	\$ 667.5	\$ 112.8	\$ 780.3

	For the Year Ended December 31, 2012		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 508.0	\$ 120.1	\$ 628.1
New Consumer Loan assignments (1)	538.7	47.8	586.5
Finance charge income	(458.7)	(79.5)	(538.2)
Forecast changes	25.6	10.0	35.6
Transfers (2)	(10.7)	16.8	6.1
Balance, end of period	\$ 602.9	\$ 115.2	\$ 718.1

	For the Year Ended December 31, 2011		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 351.6	\$ 124.5	\$ 476.1
New Consumer Loan assignments (1)	508.9	59.5	568.4
Finance charge income	(374.9)	(85.7)	(460.6)
Forecast changes	30.0	9.6	39.6
Transfers (2)	(7.6)	12.2	4.6
Balance, end of period	\$ 508.0	\$ 120.1	\$ 628.1

- (1) The Dealer Loans amount represents the net cash flows expected at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related advances paid to Dealers. The Purchased Loans amount represents the net cash flows expected at the time of assignment on Consumer Loans assigned under our Purchase Program, less the related one-time payments made to Dealers.
- (2) Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance and related expected future net cash flows to Purchased Loans in the period this forfeiture occurs.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 5. LOANS RECEIVABLE – (Continued)

Additional information related to new Consumer Loan assignments is as follows:

(In millions)

	For the Year Ended December 31, 2013		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 2,079.8	\$ 241.6	\$ 2,321.4
Expected net cash flows at the time of assignment (2)	1,921.5	174.3	2,095.8
Fair value at the time of assignment (3)	1,356.6	124.0	1,480.6

(In millions)

	For the Year Ended December 31, 2012		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 1,935.1	\$ 217.6	\$ 2,152.7
Expected net cash flows at the time of assignment (2)	1,792.3	156.5	1,948.8
Fair value at the time of assignment (3)	1,253.6	108.8	1,362.4

(In millions)

	For the Year Ended December 31, 2011		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 1,786.5	\$ 248.0	\$ 2,034.5
Expected net cash flows at the time of assignment (2)	1,661.4	181.7	1,843.1
Fair value at the time of assignment (3)	1,152.5	122.2	1,274.7

- (1) The Dealer Loans amount represents the repayments that we were contractually owed at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we would be required to make if we collected all of the contractual repayments. The Purchased Loans amount represents the repayments that we were contractually owed at the time of assignment on Consumer Loans assigned under our Purchase Program.
- (2) The Dealer Loans amount represents the repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we expected to make. The Purchased Loans amount represents the repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Purchase Program.
- (3) The Dealer Loans amount represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.

### Credit Quality

We monitor and evaluate the credit quality of Consumer Loans assigned under our Portfolio and Purchase Programs on a monthly basis by comparing our current forecasted collection rates to our initial expectations. For additional information regarding credit quality, see Note 2 to the consolidated financial statements. The following table compares our forecast of Consumer Loan collection rates as of December 31, 2013, with the forecasts as of December 31, 2012, as of December 31, 2011, and at the time of assignment, segmented by year of assignment:

Consumer Loan Assignment Year	Forecasted Collection Percentage as of (1)				Variance in Forecasted Collection Percentage from		
	December 31, 2013	December 31, 2012	December 31, 2011	Initial Forecast	December 31, 2012	December 31, 2011	Initial Forecast
2004	73.0%	73.0%	73.0%	73.0%	0.0%	0.0%	0.0%
2005	73.7%	73.6%	73.6%	74.0%	0.1%	0.1%	-0.3%
2006	70.0%	69.9%	70.0%	71.4%	0.1%	0.0%	-1.4%
2007	67.9%	68.0%	68.1%	70.7%	-0.1%	-0.2%	-2.8%
2008	70.1%	70.3%	70.0%	69.7%	-0.2%	0.1%	0.4%
2009	79.2%	79.5%	79.4%	71.9%	-0.3%	-0.2%	7.3%
2010	77.0%	77.3%	76.8%	73.6%	-0.3%	0.2%	3.4%
2011	74.1%	74.1%	73.2%	72.5%	0.0%	0.9%	1.6%
2012	73.5%	72.2%	—	71.4%	1.3%	—	2.1%
2013	73.3%	—	—	72.0%	—	—	1.3%

- (1) Represents the total forecasted collections we expect to collect on the Consumer Loans as a percentage of the repayments that we were contractually owed on the Consumer Loans at the time of assignment. Contractual repayments include both principal and interest.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 5. LOANS RECEIVABLE – (Continued)

Advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program are aggregated into pools for purposes of recognizing revenue and evaluating impairment. As a result of this aggregation, we are not able to segment the carrying value of the majority of our Loan portfolio by year of assignment. We are able to segment our Loan portfolio by the performance of the Loan pools. Performance considers both the amount and timing of expected net cash flows and is measured by comparing the balance of the Loan pool to the discounted value of the expected future net cash flows of each Loan pool using the yield established at the time of assignment. The following table segments our Loan portfolio by the performance of the Loan pools:

(In millions)

	As of December 31, 2013					
	Loan Pool Performance Meets or Exceeds Initial Estimates			Loan Pool Performance Less than Initial Estimates		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 681.4	\$ 227.3	\$ 908.7	\$ 1,474.1	\$ 25.4	\$ 1,499.5
Allowance for credit losses	–	–	–	(185.7)	(9.7)	(195.4)
Loans receivable, net	\$ 681.4	\$ 227.3	\$ 908.7	\$ 1,288.4	\$ 15.7	\$ 1,304.1

(In millions)

	As of December 31, 2012					
	Loan Pool Performance Meets or Exceeds Initial Estimates			Loan Pool Performance Less than Initial Estimates		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 564.1	\$ 205.8	\$ 769.9	\$ 1,305.3	\$ 34.7	\$ 1,340.0
Allowance for credit losses	–	–	–	(167.4)	(9.0)	(176.4)
Loans receivable, net	\$ 564.1	\$ 205.8	\$ 769.9	\$ 1,137.9	\$ 25.7	\$ 1,163.6

A summary of changes in the allowance for credit losses is as follows:

(In millions)

	For the Year Ended December 31, 2013		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 167.4	\$ 9.0	\$ 176.4
Provision for credit losses	21.3	0.6	21.9
Write-offs	(5.2)	(0.1)	(5.3)
Recoveries (1)	2.2	0.2	2.4
Balance, end of period	\$ 185.7	\$ 9.7	\$ 195.4

(In millions)

	For the Year Ended December 31, 2012		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 141.7	\$ 12.6	\$ 154.3
Provision for credit losses	27.1	(3.1)	24.0
Write-offs	(3.6)	(0.6)	(4.2)
Recoveries (1)	2.2	0.1	2.3
Balance, end of period	\$ 167.4	\$ 9.0	\$ 176.4

(In millions)

	For the Year Ended December 31, 2011		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 113.2	\$ 13.7	\$ 126.9
Provision for credit losses	29.7	(0.7)	29.0
Write-offs	(3.0)	(0.5)	(3.5)
Recoveries (1)	1.8	0.1	1.9
Balance, end of period	\$ 141.7	\$ 12.6	\$ 154.3

(1) Represents collections received on previously written off Loans.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

### 5. LOANS RECEIVABLE – (Concluded)

During the fourth quarter of 2012, we enhanced the computations used to account for Dealer Loans. The enhanced computations utilize a more sophisticated approach for determining the yields established at the time of assignment, future net cash flow streams and the present value of future cash flow streams. While the enhanced computations did not change these estimates significantly at the overall Dealer Loan portfolio level, we believe they improved the precision of these estimates at the individual Dealer level. Implementation of the enhanced computations increased the provision for credit losses and finance charges by \$2.8 million and \$0.8 million, respectively, for the year ended December 31, 2012.

During the second quarter of 2013, we enhanced our methodology for forecasting future collections on Loans through the utilization of more recent data, different segmentations and new forecast variables. Implementation of the enhanced forecasting methodology increased the provision for credit losses by \$3.0 million for the second quarter of 2013, of which \$1.2 million related to Dealer Loans and \$1.8 million related to Purchased Loans.

### 6. LEASED PROPERTIES

We lease office space and office equipment. We expect that in the normal course of business, leases will be renewed or replaced by other leases. Total rental expense on all operating leases was \$1.1 million, \$0.9 million and \$0.9 million for 2013, 2012 and 2011, respectively. Contingent rentals under the operating leases were insignificant. Our total minimum future lease commitments under operating leases as of December 31, 2013 are as follows:

(In millions)

Year	Minimum Future Lease Commitments
2014	\$ 1.4
2015	1.4
2016	1.3
2017	1.3
2018	0.7
Thereafter	0.2
Total	\$ 6.3

### 7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

(In millions)

	As of December 31,	
	2013	2012
Land and land improvements	\$ 2.3	\$ 2.3
Building and improvements	14.0	13.4
Data processing equipment and software	25.5	42.4
Office furniture and equipment	4.1	3.6
Leasehold improvements	0.7	0.1
Total property and equipment	46.6	61.8
Less: Accumulated depreciation on property and equipment	(24.3)	(39.6)
Total property and equipment, net	\$ 22.3	\$ 22.2

Depreciation expense on property and equipment was \$5.4 million, \$5.1 million and \$4.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

For the years ended December 31, 2013, 2012 and 2011, we capitalized software developed for internal use of \$0.8 million, \$4.4 million and \$1.8 million, respectively. As of December 31, 2013 and 2012, capitalized software costs, net of accumulated depreciation, totaled \$4.0 million and \$5.4 million, respectively.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 8. DEBT

We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) senior notes. General information for each of our financing transactions in place as of December 31, 2013 is as follows:

(Dollars in millions)

Financings	Wholly-owned Subsidiary	Close Date	Maturity Date	Financing Amount	Interest Rate as of December 31, 2013
Revolving Secured Line of Credit	n/a	12/09/2013	06/23/2016	\$ 235.0	At our option, either LIBOR plus 187.5 basis points or the prime rate plus 87.5 basis points
Warehouse Facility II (1)	CAC Warehouse Funding Corp. II	12/02/2013	12/27/2015 (2)	\$ 325.0	Commercial paper rate or LIBOR plus 200 basis points (3)
Warehouse Facility III (1)	CAC Warehouse Funding III, LLC	08/16/2013	09/10/2015 (4)	\$ 75.0	LIBOR plus 160 basis points (3)
Warehouse Facility IV (1)	CAC Warehouse Funding LLC IV	12/04/2013	04/05/2016 (2)	\$ 75.0	LIBOR plus 200 basis points (3)
Term ABS 2011-1 (1)	Credit Acceptance Funding LLC 2011-1	10/06/2011	09/16/2013 (2)	\$ 200.5	Fixed rate
Term ABS 2012-1 (1)	Credit Acceptance Funding LLC 2012-1	03/29/2012	03/17/2014 (2)	\$ 201.3	Fixed rate
Term ABS 2012-2 (1)	Credit Acceptance Funding LLC 2012-2	09/20/2012	09/15/2014 (2)	\$ 252.0	Fixed rate
Term ABS 2013-1 (1)	Credit Acceptance Funding LLC 2013-1	04/25/2013	04/15/2015 (2)	\$ 140.3	Fixed rate
Term ABS 2013-2 (1)	Credit Acceptance Funding LLC 2013-2	10/31/2013	10/15/2015 (2)	\$ 197.8	Fixed rate
2017 Senior Notes	n/a	(5)	02/01/2017	\$ 350.0	Fixed rate

(1) Financing made available only to a specified subsidiary of the Company.

(2) Represents the revolving maturity date. The outstanding balance will amortize after the maturity date based on the cash flows of the pledged assets.

(3) Interest rate cap agreements are in place to limit the exposure to increasing interest rates.

(4) Represents the revolving maturity date. The outstanding balance will amortize after the revolving maturity date and any amounts remaining on September 10, 2017 will be due.

(5) The close dates associated with the issuance of \$250.0 million and \$100.0 million of the senior notes were on February 1, 2010 and March 3, 2011, respectively.

Additional information related to the amounts outstanding on each facility is as follows:

(In millions)	For the Years Ended December 31,	
	2013	2012
<b>Revolving Secured Line of Credit</b>		
Maximum outstanding balance	\$ 195.1	\$ 187.3
Average outstanding balance	97.9	96.2
<b>Warehouse Facility II</b>		
Maximum outstanding balance	\$ 169.1	\$ 177.2
Average outstanding balance	81.8	99.8
<b>Warehouse Facility III</b>		
Maximum outstanding balance	\$ 60.0	\$ 73.0
Average outstanding balance	23.3	45.5
<b>Warehouse Facility IV</b>		
Maximum outstanding balance	\$ 39.6	\$ 39.6
Average outstanding balance	11.8	37.8

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 8. DEBT – (Continued)

(Dollars in millions)

(Dollars in millions)	As of December 31,			
	2013		2012	
<b>Revolving Secured Line of Credit</b>				
Balance outstanding	\$	102.8	\$	43.5
Amount available for borrowing (1)		132.2		191.5
Interest rate		2.04%		2.08%
<b>Warehouse Facility II</b>				
Balance outstanding	\$	–	\$	81.3
Amount available for borrowing (1)		325.0		243.7
Loans pledged as collateral		–		105.2
Restricted cash and cash equivalents pledged as collateral		1.2		3.0
Interest rate		2.17%		2.22%
<b>Warehouse Facility III</b>				
Balance outstanding	\$	–	\$	–
Amount available for borrowing (1)		75.0		75.0
Loans pledged as collateral		–		–
Restricted cash and cash equivalents pledged as collateral		0.3		0.4
Interest rate		1.77%		1.82%
<b>Warehouse Facility IV</b>				
Balance outstanding	\$	–	\$	37.6
Amount available for borrowing (1)		75.0		37.4
Loans pledged as collateral		–		47.7
Restricted cash and cash equivalents pledged as collateral		0.2		2.5
Interest rate		2.17%		2.96%
<b>Term ABS 2010-1</b>				
Balance outstanding	\$	–	\$	80.3
Loans pledged as collateral		–		111.6
Restricted cash and cash equivalents pledged as collateral		–		12.5
Interest rate		–		2.44%
<b>Term ABS 2011-1</b>				
Balance outstanding	\$	144.2	\$	200.5
Loans pledged as collateral		215.3		243.8
Restricted cash and cash equivalents pledged as collateral		23.2		23.5
Interest rate		3.01%		2.90%
<b>Term ABS 2012-1</b>				
Balance outstanding	\$	201.3	\$	201.3
Loans pledged as collateral		240.4		244.7
Restricted cash and cash equivalents pledged as collateral		23.5		22.3
Interest rate		2.38%		2.38%
<b>Term ABS 2012-2</b>				
Balance outstanding	\$	252.0	\$	252.0
Loans pledged as collateral		303.8		311.9
Restricted cash and cash equivalents pledged as collateral		27.7		26.0
Interest rate		1.63%		1.63%
<b>Term ABS 2013-1</b>				
Balance outstanding	\$	140.3	\$	–
Loans pledged as collateral		184.3		–
Restricted cash and cash equivalents pledged as collateral		15.3		–
Interest rate		1.31%		–
<b>Term ABS 2013-2</b>				
Balance outstanding	\$	197.8	\$	–
Loans pledged as collateral		250.5		–
Restricted cash and cash equivalents pledged as collateral		18.7		–
Interest rate		1.67%		–
<b>2017 Senior Notes</b>				
Balance outstanding (2)	\$	350.2	\$	350.3
Interest rate		9.13%		9.13%

(1) Availability may be limited by the amount of assets pledged as collateral.

(2) As of December 31, 2013 and 2012, the outstanding balance presented for the senior notes includes a net unamortized debt premium of \$0.2 million and \$0.3 million, respectively.

**8. DEBT – (Continued)****Revolving Secured Line of Credit Facility**

We have a \$235.0 million revolving secured line of credit facility with a commercial bank syndicate.

During the second quarter of 2013, we extended the maturity of our revolving secured line of credit facility from June 22, 2015 to June 23, 2016. There were no other material changes to the terms of the facility.

Borrowings under the revolving secured line of credit facility, including any letters of credit issued under the facility, are subject to a borrowing-base limitation. This limitation equals 80% of the net book value of Loans, less a hedging reserve (not exceeding \$1.0 million), and the amount of other debt secured by the collateral which secures the revolving secured line of credit facility. Borrowings under the revolving secured line of credit facility agreement are secured by a lien on most of our assets.

**Warehouse Facilities**

We have three Warehouse facilities with total borrowing capacity of \$475.0 million. Each of the facilities are with different institutional investors, and the facility limit is \$325.0 million for Warehouse Facility II and \$75.0 million for both Warehouse Facility III and IV.

During the second quarter of 2013, we extended the date on which Warehouse IV will cease to revolve from February 19, 2014 to April 5, 2016. The interest rate on borrowings under the facility was decreased from LIBOR plus 275 basis points to LIBOR plus 225 basis points. During the fourth quarter of 2013, the interest rate on borrowings under Warehouse IV was decreased from LIBOR plus 225 basis points to LIBOR plus 200 basis points. There were no other material changes to the terms of the facility.

Under each Warehouse facility, we can contribute Loans to our wholly-owned subsidiaries in return for cash and equity in each subsidiary. In turn, each subsidiary pledges the Loans as collateral to institutional investors to secure financing that will fund the cash portion of the purchase price of the Loans. The financing provided to each subsidiary under the applicable facility is limited to the lesser of 80% of the net book value of the contributed Loans plus the cash collected on such Loans or the facility limit.

The financings create indebtedness for which the subsidiaries are liable and which is secured by all the assets of each subsidiary. Such indebtedness is non-recourse to us, even though we are consolidated for financial reporting purposes with the subsidiaries. Because the subsidiaries are organized as legal entities separate from us, their assets (including the contributed Loans) are not available to our creditors.

The subsidiaries pay us a monthly servicing fee equal to 6% of the collections received with respect to the contributed Loans. The fee is paid out of the collections. Except for the servicing fee and holdback payments due to Dealers, if a facility is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees and other related costs have been paid in full. If a facility is not amortizing, the applicable subsidiary may be entitled to retain a portion of such collections provided that the borrowing base requirements of the facility are satisfied.

**Term ABS Financings**

In 2010, 2011, 2012 and 2013, our wholly-owned subsidiaries (the “Funding LLCs”), completed secured financing transactions with qualified institutional investors. In connection with these transactions, we contributed Loans on an arms-length basis to each Funding LLC for cash and the sole membership interest in that Funding LLC. In turn, each Funding LLC contributed the Loans to a respective trust that issued notes to qualified institutional investors. The Term ABS 2011-1, 2012-1, 2012-2, 2013-1 and 2013-2 transactions each consist of three classes of notes. The Class A and Class B Notes for each Term ABS financing bear interest. The Class C Notes for each Term ABS financing do not bear interest and have been retained by us.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 8. DEBT – (Continued)

Each financing at the time of issuance has a specified revolving period during which we may be required, and are likely, to contribute additional Loans to each Funding LLC. Each Funding LLC will then contribute the Loans to their respective trust. At the end of the revolving period, the debt outstanding under each financing will begin to amortize.

The financings create indebtedness for which the trusts are liable and which is secured by all the assets of each trust. Such indebtedness is non-recourse to us, even though we are consolidated for financial reporting purposes with the trusts and the Funding LLCs. Because the Funding LLCs are organized as legal entities separate from us, their assets (including the contributed Loans) are not available to our creditors. We receive a monthly servicing fee on each financing equal to 6% of the collections received with respect to the contributed Loans. The fee is paid out of the collections. Except for the servicing fee and Dealer Holdback payments due to Dealers, if a facility is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees and other related costs have been paid in full. If a facility is not amortizing, the applicable subsidiary may be entitled to retain a portion of such collections provided that the borrowing base requirements of the facility are satisfied. However, in our capacity as servicer of the Loans, we do have a limited right to exercise a “clean-up call” option to purchase Loans from the Funding LLCs and/or the trusts under certain specified circumstances. Alternatively, when a trust’s underlying indebtedness is paid in full, either through collections or through a prepayment of the indebtedness, the trust is to pay any remaining collections over to its Funding LLC as the sole beneficiary of the trust. The collections will then be available to be distributed to us as the sole member of the respective Funding LLC.

The table below sets forth certain additional details regarding the outstanding Term ABS Financings:

(Dollars in millions)

Term ABS Financings	Close Date	Net Book Value of Loans Contributed at Closing	24 Month Revolving Period
Term ABS 2011-1	October 6, 2011	\$ 250.8	Through September 16, 2013
Term ABS 2012-1	March 29, 2012	\$ 251.7	Through March 17, 2014
Term ABS 2012-2	September 20, 2012	\$ 315.1	Through September 15, 2014
Term ABS 2013-1	April 25, 2013	\$ 187.8	Through April 15, 2015
Term ABS 2013-2	October 31, 2013	\$ 250.1	Through October 15, 2015

### Senior Notes

We have outstanding \$350.0 million aggregate principal amount of our 9.125% first priority senior secured notes due 2017 (the “2017 senior notes”), \$100.0 million of which we issued on March 3, 2011 and \$250.0 million of which we issued on February 1, 2010. The 2017 senior notes are governed by an indenture, dated as of February 1, 2010, as amended and supplemented (the “Indenture”), among us, as the issuer; our subsidiaries Buyers Vehicle Protection Plan, Inc. and Vehicle Remarketing Services, Inc., as guarantors (the “Guarantors”); and U.S. Bank National Association, as trustee. The 2017 senior notes issued on March 3, 2011 have the same terms as the previously issued 2017 senior notes, other than issue price and issue date, and all of the 2017 senior notes are treated as a single class under the Indenture.

The 2017 senior notes mature on February 1, 2017 and bear interest at a rate of 9.125% per annum, computed on the basis of a 360-day year comprised of twelve 30-day months and payable semi-annually on February 1 and August 1 of each year. The 2017 senior notes issued on March 3, 2011 were issued at a price of 106.0% of their aggregate principal amount, resulting in gross proceeds of \$106.0 million, and a yield to maturity of 7.83% per annum. The 2017 senior notes issued on February 1, 2010 were issued at a price of 97.495% of their aggregate principal amount, resulting in gross proceeds of \$243.7 million, and a yield to maturity of 9.625% per annum. The premium with respect to the 2017 senior notes issued on March 3, 2011 and the discount with respect to the 2017 senior notes issued on February 1, 2010 are being amortized over the life of the 2017 senior notes using the effective interest method.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

### 8. DEBT – (Concluded)

The 2017 senior notes are guaranteed on a senior secured basis by the Guarantors, which are also guarantors of obligations under our revolving secured line of credit facility. Other existing and future subsidiaries of ours may become guarantors of the 2017 senior notes. The 2017 senior notes and the Guarantors' senior note guarantees are secured on a first-priority basis (subject to specified exceptions and permitted liens), together with all indebtedness outstanding from time to time under the revolving secured line of credit facility and, under certain circumstances, certain future indebtedness, by a security interest in substantially all of our assets and those of the Guarantors, subject to certain exceptions such as real property, cash (except to the extent it is deposited with the collateral agent), certain leases, and equity interests of our subsidiaries (other than those of specified subsidiaries including the Guarantors). Our assets and those of the Guarantors securing the 2017 senior notes and the senior note guarantees will not include our assets transferred to special purpose subsidiaries in connection with Warehouse facilities and Term ABS financings and will generally be the same as the collateral securing indebtedness under the revolving secured line of credit facility and, under certain circumstances, certain future indebtedness, subject to certain limited exceptions as provided in the security and intercreditor agreements related to the revolving secured line of credit facility.

#### Mortgage Loan

During 2009, the mortgage note on our Southfield headquarters was amended to extend the maturity date from June 9, 2009 to June 22, 2014. Additionally, the interest rate on the note was increased from 5.35% to 5.70%. There was \$3.8 million and \$4.0 million outstanding on this loan as of December 31, 2013 and 2012, respectively.

#### Principal Debt Maturities

The scheduled principal maturities of our debt as of December 31, 2013 are as follows:

(In millions)

Year	Revolving Secured Line of Credit Facility	Warehouse Facilities	Term ABS Financings (1)	Senior Notes (2)(3)	Mortgage Note	Total
2014	\$ —	\$ —	\$ 358.2	\$ —	\$ 3.8	\$ 362.0
2015	—	—	365.8	—	—	365.8
2016	102.8	—	211.6	—	—	314.4
2017	—	—	—	350.0	—	350.0
Total	\$ 102.8	\$ —	\$ 935.6	\$ 350.0	\$ 3.8	\$ 1,392.2

(1) The principal maturities of the Term ABS transactions are estimated based on forecasted collections.

(2) The amounts are presented on a gross basis to exclude the net unamortized debt premium of \$0.2 million.

(3) For subsequent event information affecting the maturity of senior notes, see Note 18 to the consolidated financial statements.

#### Debt Covenants

As of December 31, 2013, we were in compliance with all our debt covenants relating to the revolving secured line of credit facility, including those that require the maintenance of certain financial ratios and other financial conditions. These covenants require a minimum ratio of our earnings before interest, taxes and non-cash expenses to fixed charges. These covenants also limit the maximum ratio of our funded debt to tangible net worth. Additionally, we must maintain consolidated net income of not less than \$1 for the two most recently ended fiscal quarters. Some of these debt covenants may indirectly limit the repurchase of common stock or payment of dividends on common stock.

Our Warehouse facilities and Term ABS financings also contain covenants that measure the performance of the contributed assets. As of December 31, 2013, we were in compliance with all such covenants. As of the end of the year, we were also in compliance with our covenants under the Indenture. The Indenture includes covenants that limit the maximum ratio of our funded debt to tangible net worth and also require a minimum collateral coverage ratio.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 9. DERIVATIVE AND HEDGING INSTRUMENTS

**Interest Rate Caps.** We utilize interest rate cap agreements to manage the interest rate risk on our Warehouse facilities. The following tables provide the terms of our interest rate cap agreements that were in effect as of December 31, 2013 and 2012:

(Dollars in millions)

### As of December 31, 2013

Facility	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)
\$ 325.0	Warehouse Facility II	Cap Floating Rate	06/2013	12/2014	\$ 325.0	5.50%
75.0	Warehouse Facility III	Cap Floating Rate	06/2012	07/2015	56.3	5.00%
75.0	Warehouse Facility IV	Cap Floating Rate	08/2011	09/2015	75.0	5.50%

(Dollars in millions)

### As of December 31, 2012

Facility	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)
\$ 325.0	Warehouse Facility II	Cap Floating Rate	07/2011	06/2013	\$ 325.0	6.75%
75.0	Warehouse Facility III	Cap Floating Rate	09/2010	09/2013	37.5	6.75%
75.0	Warehouse Facility III	Cap Floating Rate	06/2012	07/2015	18.8(2)	5.00%
75.0	Warehouse Facility IV	Cap Floating Rate	08/2011	09/2015	75.0	5.50%

(1) Rate excludes the spread over the LIBOR rate or the commercial paper rate, as applicable.

(2) The notional amount increased to \$56.3 million in September 2013 when the original Warehouse Facility III interest rate cap for \$37.5 million ended.

The interest rate caps have not been designated as hedging instruments. As of December 31, 2013 and 2012, the interest rate caps had a fair value of less than \$0.1 million as the capped rates were significantly above market rates.

Information related to the effect of derivative instruments designated as hedging instruments on our consolidated financial statements for the years ended December 31, 2013, 2012 and 2011 is as follows:

(In millions)

Derivatives in Cash Flow Hedging Relationships	(Loss) / Gain Recognized in OCI on Derivative (Effective Portion)			(Loss) / Gain Reclassified from Accumulated OCI into Income (Effective Portion)			
	For the Years Ended December 31,			Location	For the Years Ended December 31,		
	2013	2012	2011		2013	2012	2011
Interest rate swap	\$ –	\$ –	\$ –	Interest expense	\$ –	\$ –	\$ (0.2)

Information related to the effect of derivative instruments not designated as hedging instruments on our consolidated statements of income for the years ended December 31, 2013, 2012 and 2011 is as follows:

(In millions)

Derivatives Not Designated as Hedging Instruments	Location	Amount of (Loss)/ Gain Recognized in Income on Derivatives For the Years Ended December 31,		
		2013	2012	2011
Interest rate caps	Interest expense	\$ (0.1)	\$ (0.1)	\$ (0.2)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 10. RELATED PARTY TRANSACTIONS

In the normal course of our business, affiliated Dealers assign Consumer Loans to us under the Portfolio and Purchase Programs. Dealer Loans and Purchased Loans with affiliated Dealers are on the same terms as those with non-affiliated Dealers. Affiliated Dealers are comprised of Dealers owned or controlled by: (1) our Chairman and significant shareholder; and (2) a member of the Chairman's immediate family.

Affiliated Dealer Loan balances were \$7.5 million and \$5.9 million as of December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, affiliated Dealer Loan balances were 0.3% of total consolidated Dealer Loan balances. A summary of related party Loan activity is as follows:

(Dollars in millions)

	For the Years Ended December 31,					
	2013		2012		2011	
	Affiliated Dealer activity	% of consolidated	Affiliated Dealer activity	% of consolidated	Affiliated Dealer activity	% of consolidated
Dealer Loan revenue	\$ 1.5	0.3%	\$ 1.2	0.3%	\$ 1.6	0.4%
New Consumer Loan assignments (1)	4.3	0.3%	3.6	0.3%	1.3	0.1%
Accelerated Dealer Holdback payments	0.1	0.2%	0.1	0.2%	–	0.1%
Dealer Holdback payments	2.2	1.9%	3.2	2.8%	2.4	2.8%

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.

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

## 11. INCOME TAXES

The income tax provision consists of the following:

(In millions)

	For the Years Ended December 31,		
	2013	2012	2011
Income before provision for income taxes:	\$ 398.2	\$ 343.1	\$ 296.4
Current provision for income taxes:			
Federal	\$ 128.4	\$ 94.9	\$ 87.7
State	7.4	3.5	6.3
	<u>135.8</u>	<u>98.4</u>	<u>94.0</u>
Deferred provision for income taxes:			
Federal	8.7	23.6	13.3
State	0.1	1.4	2.0
	<u>8.8</u>	<u>25.0</u>	<u>15.3</u>
Interest and penalties expense (benefit):			
Interest	0.5	–	(0.7)
Penalties	–	–	(0.2)
	<u>0.5</u>	<u>–</u>	<u>(0.9)</u>
Provision for income taxes	<u>\$ 145.1</u>	<u>\$ 123.4</u>	<u>\$ 108.4</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 11. INCOME TAXES – (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities consist of the following:

(In millions)

	As of December 31,	
	2013	2012
Deferred tax assets:		
Allowance for credit losses	\$ 71.5	\$ 64.2
Stock-based compensation	12.6	10.0
Deferred state net operating loss	3.0	1.9
Other, net	7.9	6.6
Total deferred tax assets	95.0	82.7
Deferred tax liabilities:		
Valuation of Loans receivable	242.3	220.5
Deferred Loan origination costs	3.3	3.7
Other, net	6.6	6.9
Total deferred tax liabilities	252.2	231.1
Net deferred tax liability	\$ 157.2	\$ 148.4

The deferred state net operating loss tax asset arising from the operating loss carry forward for state income tax purposes is expected to expire at various times beginning in 2019, if not utilized. We do not anticipate expiration of the net operating loss carry forwards prior to their utilization.

A reconciliation of the U.S. federal statutory rate to our effective tax rate is as follows:

	For the Years Ended December 31,		
	2013	2012	2011
U.S. federal statutory rate	35.0%	35.0%	35.0%
State income taxes	1.4%	1.4%	2.1%
Changes in reserve for uncertain tax positions as a result of settlements and lapsed statutes and related interest	-0.3%	-0.6%	-0.5%
Other	0.3%	0.2%	—%
Effective tax rate	36.4%	36.0%	36.6%

The differences between the U.S. federal statutory rate and our effective tax rates for 2013, 2012 and 2011 are primarily due to state income taxes and reserves for uncertain tax positions and related interest and penalties that are included in the provision for income taxes.

The state income taxes for the years ended December 31, 2013, 2012 and 2011 fluctuate due to variability in the amount of income taxable in various state tax jurisdictions with differing statutory tax rates and changes in state statutory tax rates.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 11. INCOME TAXES – (Concluded)

The following table is a summary of changes in gross unrecognized tax benefits:

	For the Years Ended December 31,		
	2013	2012	2011
Unrecognized tax benefits at January 1,	\$ 11.0	\$ 10.0	\$ 7.8
Additions based on tax positions related to current year	3.6	3.1	2.7
Additions in tax positions of prior years	–	–	0.4
Reductions for tax positions of prior years	–	(0.4)	–
Settlements	–	(0.2)	–
Reductions as a result of a lapse of the statute of limitations	(1.4)	(1.5)	(0.9)
Unrecognized tax benefits at December 31,	\$ 13.2	\$ 11.0	\$ 10.0

The total amount of gross unrecognized tax benefit that, if recognized, would favorably affect our effective income tax rate in future periods, was \$13.2 million as of December 31, 2013. Accrued interest related to uncertain tax positions was \$2.7 million and \$2.1 million as of December 31, 2013 and 2012, respectively.

We are subject to income tax in federal and state jurisdictions. Our federal income tax return for 2011 is currently under audit by the Internal Revenue Service (“IRS”). The IRS has completed their federal tax examinations for years prior to 2009. With respect to state jurisdictions, we are generally no longer subject to tax examinations on returns filed for years prior to 2007.

## 12. NET INCOME PER SHARE

Basic net income per share has been computed by dividing net income by the basic number of weighted average shares outstanding. Diluted net income per share has been computed by dividing net income by the diluted number of weighted average shares outstanding using the treasury stock method. The share effect is as follows:

	For the Years Ended December 31,		
	2013	2012	2011
Weighted average shares outstanding:			
Common shares	23,180,633	24,850,830	25,890,521
Vested restricted stock units	670,156	558,825	411,768
Basic number of weighted average shares outstanding	23,850,789	25,409,655	26,302,289
Dilutive effect of stock options	31,180	48,005	102,651
Dilutive effect of restricted stock and restricted stock units	127,624	141,296	195,915
Dilutive number of weighted average shares outstanding	24,009,593	25,598,956	26,600,855

For the years ended December 31, 2013, 2012 and 2011, there were no stock options, restricted stock or restricted stock units that would have been anti-dilutive.

## 13. STOCK REPURCHASES

Our board of directors approved a stock repurchase program which authorizes us to repurchase common shares in the open market or in privately negotiated transactions at price levels we deem attractive. On March 7, 2013, the board of directors authorized the repurchase of up to one million shares of our common stock in addition to the board’s prior authorizations. As of December 31, 2013, we had authorization to repurchase 324,456 shares of our common stock.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 13. STOCK REPURCHASES – (Concluded)

The following table summarizes our stock repurchases for the years ended December 31, 2013, 2012, and 2011:

(Dollars in millions)

Stock Repurchases	For the Years Ended December 31,					
	2013		2012		2011	
	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost (1)	Number of Shares Repurchased	Cost (1)
Open Market	1,209,756	\$ 134.5	727,319	\$ 66.5	55,133	\$ 4.2
Tender Offer	–	–	1,000,000	84.8	1,904,761	125.2
Other (2)	6,259	0.7	13,053	1.2	19,550	1.4
Total	1,216,015	\$ 135.2	1,740,372	\$ 152.5	1,979,444	\$ 130.8

(1) Tender Offer Cost amounts include offering costs of \$0.3 million and \$0.2 million for 2012 and 2011, respectively.

(2) Represents shares of common stock released to us by team members as payment of tax withholdings due to us upon the vesting of restricted stock and restricted stock units.

## 14. STOCK-BASED COMPENSATION PLANS

Pursuant to our Amended and Restated Incentive Compensation Plan (the “Incentive Plan”), we can grant stock based awards in the form of restricted stock, restricted stock units and stock options to team members, officers, directors, and contractors at any time prior to March 26, 2022. On March 26, 2012, our board of directors approved an amendment to our Incentive Plan, increasing the number of shares authorized for issuance by 500,000 shares, to 2 million shares. The shares available for future grants under the Incentive Plan totaled 314,777 as of December 31, 2013.

On March 26, 2012, the compensation committee of our board of directors approved an award of 310,000 restricted stock units and 190,000 shares of restricted stock to our Chief Executive Officer. The 310,000 restricted stock units and 90,000 shares of restricted stock are eligible to vest over a ten year period beginning in 2012 based on the cumulative improvement in our annual adjusted economic profit, a non-GAAP financial measure. The remaining 100,000 shares of restricted stock are eligible to vest in equal annual installments over a five year period beginning in 2022 based on the attainment of annual adjusted economic profit targets.

### Restricted Stock

In addition to the 190,000 shares of restricted stock awarded to our Chief Executive Officer in March 2012, we grant time-based shares of restricted stock annually to team members based on attaining certain individual and Company performance criteria in accordance with our Incentive Plan. Based on the terms of individual restricted stock grant agreements, these time-based shares generally vest over a period of three to five years, based on continuous employment. The grant-date fair value per share is estimated to equal the market price of our common stock on the date of grant.

A summary of the non-vested restricted stock activity under the Incentive Plan for the year ended December 31, 2013 is presented below:

Restricted Stock	Number of Shares	Weighted Average Grant-Date Fair Value Per Share
Non-vested as of December 31, 2012	206,674	\$ 103.99
Granted	9,119	113.56
Vested	(16,341)	83.63
Forfeited	(770)	103.41
Non-vested as of December 31, 2013	198,682	\$ 106.11

The grant-date weighted average fair value of shares granted in 2013, 2012 and 2011 was \$113.56, \$105.96, and \$70.40, respectively. The total fair value of shares vested in 2013, 2012 and 2011 was \$1.9 million, \$3.6 million and \$4.4 million, respectively.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 14. STOCK-BASED COMPENSATION PLANS – (Continued)

### Restricted Stock Units

In addition to the 310,000 restricted stock units awarded to our Chief Executive Officer in March 2012, we grant performance-based restricted stock units to team members as part of our Incentive Plan. These restricted stock units are earned over a five year period based upon the compounded annual growth rate in our adjusted economic profit, a non-GAAP financial measure. Each restricted stock unit represents and has a value equal to one share of common stock. The grant-date fair value per share is estimated to equal the market price of our common stock on the date of grant.

A summary of the restricted stock unit activity under the Incentive Plan for the year ended December 31, 2013, is presented below:

Restricted Stock Units	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value Per Share	Aggregate Intrinsic Value <sup>(2)</sup>	Weighted Average Remaining Contractual Term (in Years)
Outstanding as of December 31, 2012	1,096,910	\$ 47.88		
Granted	8,095	122.81		
Converted	(848)	106.50		
Forfeited	(5,000)	83.36		
Outstanding as of December 31, 2013 <sup>(1)</sup>	<u>1,099,157</u>	<u>\$ 48.23</u>	\$ 142.9	4.3
Vested as of December 31, 2013	680,926	\$ 24.87	\$ 88.5	1.6

(1) No RSUs outstanding at December 31, 2013 were convertible to shares of common stock.

(2) The intrinsic value of RSUs is measured by applying the closing stock price as of December 31, 2013 to the applicable number of units.

The grant-date weighted average fair value of RSUs granted in 2013, 2012 and 2011 was \$122.81, \$105.74, and \$63.73, respectively.

The total intrinsic value of RSUs converted to common stock during 2013 was \$0.1 million. No RSUs were converted to shares of common stock during 2012 and 2011.

### Stock Options

Pursuant to our 1992 Stock Option Plan (the “1992 Plan”), we had reserved 8.0 million shares of our common stock for the future granting of options to officers and other team members. Pursuant to our Director Stock Option Plan (the “Director Plan”), we had reserved 200,000 shares of our common stock for future granting of options to members of our Board of Directors. The exercise price of the options is no less than the fair market value on the date of the grant. Options expire ten years from the date of grant. The 1992 Plan had no options outstanding as of December 31, 2013 and 2012. The 1992 Plan and the Director Plan were terminated as to future grants on May 13, 2004, with shareholder approval of the Incentive Plan. All options outstanding as of December 31, 2013 are vested.

Additional stock option information relating to the Director Plan is as follows:

(Dollars in millions, except per share data)

	Number of Options	Weighted Average Exercise Per Share	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (in Years)
Outstanding as of December 31, 2012	70,000	\$ 17.25		
Options exercised	35,000	17.25		
Outstanding as of December 31, 2013	<u>35,000</u>	<u>\$ 17.25</u>	\$ 3.9	0.2
Exercisable as of December 31, 2013	35,000	\$ 17.25	\$ 3.9	0.2

The total intrinsic value of stock options exercised in 2013, 2012 and 2011 was \$3.2 million, \$3.0 million, and \$15.8 million, respectively.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 14. STOCK-BASED COMPENSATION PLANS – (Concluded)

### Stock-based compensation expense

Stock-based compensation expense consists of the following:

(In millions)	For the Years Ended December 31,		
	2013	2012	2011
Restricted stock	\$ 3.0	\$ 3.4	\$ 0.6
Restricted stock units	5.5	8.8	1.3
Total	<u>\$ 8.5</u>	<u>\$ 12.2</u>	<u>\$ 1.9</u>

While the restricted stock units and shares of restricted stock are often expected to vest in equal, annual installments over the corresponding requisite service periods of the grants, the related stock-based compensation expense is not recognized on a straight-line basis over the same periods. Each installment is accounted for as a separate award and as a result, the fair value of each installment is recognized as stock-based compensation expense on a straight-line basis over the related vesting period. The following table details how the expenses associated with restricted stock and restricted stock units, which are expected to be recognized over a weighted average period of 3.6 years, will be recorded assuming performance targets are achieved in the periods currently estimated:

(In millions)	For the Years Ended December 31,		Restricted Stock Units	Restricted Stock	Total Projected Expense
2014	\$	4.9	\$	2.5	\$ 7.4
2015		4.0		2.1	6.1
2016		3.7		1.8	5.5
2017		3.1		1.7	4.8
2018		2.4		1.5	3.9
Thereafter		3.8		6.2	10.0
Total	<u>\$</u>	<u>21.9</u>	<u>\$</u>	<u>15.8</u>	<u>\$ 37.7</u>

## 15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

There were no reclassifications out of accumulated other comprehensive income in 2013 and 2012. Reclassifications out of accumulated other comprehensive income in 2011 were as follows:

(In millions)	Amount reclassified from accumulated other comprehensive income	Affected line item in the income statement where net income is presented
<b>Details about accumulated other comprehensive income components</b>		
Gain (Loss) on derivatives qualifying as hedges		
Interest rate contracts	\$ (0.2)	Interest income (expense)
Total reclassifications before tax	(0.2)	
	0.1	Tax (expense) benefit
Reclassifications for the period ended December 31, 2011	<u>\$ (0.1)</u>	Net of tax

**16. BUSINESS SEGMENT AND OTHER INFORMATION****Business Segment Overview**

We identify operating segments as components of our business for which separate financial information is regularly evaluated by the chief operating decision-maker (“CODM”) in making decisions regarding resource allocation and assessing performance. We periodically review and redefine our segment reporting as internal management reporting practices evolve and the components of our business change. Currently, the CODM reviews consolidated financial statements and metrics to allocate resources and assess performance. Thus, we have determined that we operate in one reportable operating segment. The consolidated financial statements reflect the financial results of our one reportable operating segment.

**Geographic Information**

For the three years ended December 31, 2013, 2012 and 2011, all of our revenues were derived from the United States. As of December 31, 2013 and 2012, all of our long-lived assets were located in the United States.

**Products and Services Information**

Our primary product consists of offering automobile dealers financing programs that enable them to sell vehicles to consumers, regardless of their credit history, through our network of Dealers within the United States. We also provide Dealers the ability to offer vehicle service contracts and a GAP product to consumers on vehicles financed by us.

**Major Customer Information**

We did not have any Dealers that provided 10% or more of our revenue during 2013, 2012, or 2011. Additionally, no single Dealer’s Loans receivable balance accounted for more than 10% of total Loans receivable as of December 31, 2013 or 2012.

**17. LITIGATION AND CONTINGENT LIABILITIES**

In the normal course of business and as a result of the consumer-oriented nature of the industry in which we operate, industry participants are frequently subject to various consumer claims and litigation seeking damages and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth-in-lending, credit availability, credit reporting, consumer protection, warranty, debt collection, insurance and other consumer-oriented laws and regulations, including claims seeking damages for physical and mental damages relating to our repossession and sale of the consumer’s vehicle and other debt collection activities. As the assignee of Consumer Loans originated by Dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against Dealers. We may also have disputes and litigation with Dealers. The claims may allege, among other theories of liability, that we breached our Dealer servicing agreement. Many of these cases are filed as purported class actions and seek damages in large dollar amounts. Current actions to which we are a party include the following matter.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## 17. LITIGATION AND CONTINGENT LIABILITIES – (Concluded)

On February 1, 2013, six Dealers, who had previously commenced a putative consolidated arbitration proceeding against the Company before the American Arbitration Association ("AAA") that was deemed not properly filed by the AAA on October 9, 2012, filed individual arbitrations against the Company before the AAA in Southfield, Michigan. These arbitration demands seek unspecified money damages for claims relating to the Dealer servicing agreements of these Dealers. The Company intends to vigorously defend itself against these arbitrations.

An adverse ultimate disposition in any action to which we are a party or otherwise subject could have a material adverse impact on our financial position, liquidity and results of operations.

## 18. SUBSEQUENT EVENTS

During January 2014, we issued \$300 million of 6.125% senior notes due 2021 (the "2021 senior notes") in a private offering exempt from registration under the Securities Act of 1933. We intend to use the net proceeds from the 2021 senior notes, together with borrowings under our revolving credit facility, to redeem in full the \$350.0 million outstanding principal amount of our 2017 senior notes. In accordance with the terms of the indenture governing the 2017 senior notes, we have provided an irrevocable notice of our election to redeem all of the outstanding 2017 senior notes on February 21, 2014 (the "Redemption Date"). We expect the 2017 senior notes will be redeemed on the Redemption Date at a redemption price equal to 104.563% of the principal amount thereof, plus accrued and unpaid interest to but excluding the Redemption Date. For the quarter ended March 31, 2014, we expect to recognize a pre-tax loss on the extinguishment of debt of \$21.7 million related to the redemption of the 2017 senior notes.

## 19. QUARTERLY FINANCIAL DATA (unaudited)

The following is a summary of the quarterly financial position and results of operations as of and for the years ended December 31, 2013 and 2012, which have been prepared in accordance with GAAP.

(In millions, except share and per share data)

	2013			
	Quarters Ended			
	March 31	June 30	September 30	December 31
<b>Balance Sheets</b>				
Loans receivable, net	\$ 2,028.6	\$ 2,092.7	\$ 2,163.4	\$ 2,212.8
All other assets	219.7	222.6	221.8	220.6
Total assets	<u>\$ 2,248.3</u>	<u>\$ 2,315.3</u>	<u>\$ 2,385.2</u>	<u>\$ 2,433.4</u>
Total debt	\$ 1,356.0	\$ 1,407.2	\$ 1,434.0	\$ 1,392.4
Other liabilities	267.7	254.2	261.4	290.9
Total liabilities	1,623.7	1,661.4	1,695.4	1,683.3
Shareholders' equity (1)	624.6	653.9	689.8	750.1
Total liabilities and shareholders' equity	<u>\$ 2,248.3</u>	<u>\$ 2,315.3</u>	<u>\$ 2,385.2</u>	<u>\$ 2,433.4</u>
<b>Income Statements</b>				
Revenue	\$ 164.7	\$ 169.4	\$ 172.7	\$ 175.3
Costs and expenses	69.6	72.0	70.5	71.8
Income before provision for income taxes	95.1	97.4	102.2	103.5
Provision for income taxes	34.5	35.9	37.1	37.6
Net income	<u>\$ 60.6</u>	<u>\$ 61.5</u>	<u>\$ 65.1</u>	<u>\$ 65.9</u>
Net income per share:				
Basic	<u>\$ 2.49</u>	<u>\$ 2.57</u>	<u>\$ 2.75</u>	<u>\$ 2.81</u>
Diluted	<u>\$ 2.48</u>	<u>\$ 2.56</u>	<u>\$ 2.75</u>	<u>\$ 2.80</u>
Weighted average shares outstanding:				
Basic	24,330,027	23,974,099	23,672,635	23,438,153
Diluted	24,426,127	24,017,273	23,708,043	23,575,786

(1) No dividends were paid during the periods presented.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONCLUDED)

## 19. QUARTERLY FINANCIAL DATA (unaudited) – (Concluded)

(In millions, except share and per share data)

	2012			
	Quarters Ended			
	March 31	June 30	September 30	December 31
<b>Balance Sheets</b>				
Loans receivable, net	\$ 1,737.8	\$ 1,815.9	\$ 1,876.7	\$ 1,933.5
All other assets	217.2	187.0	226.6	199.7
Total assets	<u>\$ 1,955.0</u>	<u>\$ 2,002.9</u>	<u>\$ 2,103.3</u>	<u>\$ 2,133.2</u>
Total debt	\$ 1,132.7	\$ 1,132.0	\$ 1,262.1	\$ 1,250.8
Other liabilities	249.7	330.5	243.4	260.5
Total liabilities	<u>1,382.4</u>	<u>1,462.5</u>	<u>1,505.5</u>	<u>1,511.3</u>
Shareholders' equity (1)	572.6	540.4	597.8	621.9
Total liabilities and shareholders' equity	<u>\$ 1,955.0</u>	<u>\$ 2,002.9</u>	<u>\$ 2,103.3</u>	<u>\$ 2,133.2</u>
<b>Income Statements</b>				
Revenue	\$ 142.4	\$ 151.8	\$ 155.7	\$ 159.3
Costs and expenses	63.6	62.6	71.9	68.0
Income before provision for income taxes	<u>78.8</u>	<u>89.2</u>	<u>83.8</u>	<u>91.3</u>
Provision for income taxes	28.5	32.6	30.9	31.4
Net income	<u>\$ 50.3</u>	<u>\$ 56.6</u>	<u>\$ 52.9</u>	<u>\$ 59.9</u>
Net income per share:				
Basic	<u>\$ 1.92</u>	<u>\$ 2.18</u>	<u>\$ 2.13</u>	<u>\$ 2.42</u>
Diluted	<u>\$ 1.92</u>	<u>\$ 2.18</u>	<u>\$ 2.12</u>	<u>\$ 2.40</u>
Weighted average shares outstanding:				
Basic	26,157,672	25,925,627	24,908,247	24,756,286
Diluted	26,283,801	25,979,872	24,962,054	24,926,004

(1) No dividends were paid during the periods presented.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

## ITEM CONTROLS AND PROCEDURES

### 9A.

*Evaluation of disclosure controls and procedures.*

(a) *Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Internal Control Over Financial Reporting.* There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*Management's Report on Internal Control over Financial Reporting.*

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, we used the criteria set forth in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we believe that as of December 31, 2013, our internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm, Grant Thornton LLP, audited our internal control over financial reporting as of December 31, 2013 and their report dated February 14, 2014 expressed an unqualified opinion on our internal control over financial reporting and is included in this Item 9A.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of  
Credit Acceptance Corporation

We have audited the internal control over financial reporting of Credit Acceptance Corporation (a Michigan corporation) and subsidiaries (the “Company”) as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2013, and our report dated February 14, 2014 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Southfield, Michigan  
February 14, 2014

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**
**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information is contained under the captions “Election of Directors” (excluding the “Report of the Audit Committee”) and “Section 16 (a) Beneficial Ownership Reporting Compliance” in our Proxy Statement and is incorporated herein by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

Information is contained under the caption “Compensation of Executive Officers” (excluding the “Report of the Executive Compensation Committee”) in our Proxy Statement and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information is contained under the caption “Common Stock Ownership of Certain Beneficial Owners and Management” in our Proxy Statement and is incorporated herein by reference.

Our Incentive Compensation Plan (the “Incentive Plan”), which was approved by shareholders on May 13, 2004, provides for the granting of restricted stock, restricted stock units and stock options to team members, officers, and directors. Our Director Stock Option Plan (the “Director Plan”), which was approved by shareholders in 2002 and was terminated as to future grants on May 13, 2004, provided for the granting of stock options with time or performance-based vesting requirements to directors.

The following table sets forth (1) the number of shares of common stock to be issued upon the exercise of outstanding options or restricted stock units, (2) the weighted average exercise price of outstanding options, and (3) the number of shares remaining available for future issuance, as of December 31, 2013:

<b>Plan Category</b>	<b>Number of shares to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options</b>	<b>Number of shares remaining available for future issuance under equity compensation plans (a)</b>
Equity compensation plans approved by shareholders:			
Director Plan	35,000	\$ 17.25	—
Incentive Plan	1,099,157		314,777
<b>Total</b>	<b>1,134,157</b>	<b>\$ 17.25</b>	<b>314,777</b>

(a) For additional information regarding our equity compensation plans, see Note 14 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information is contained under the caption “Certain Relationships and Transactions” and “Election of Directors – Meetings and Committees of the Board of Directors” in our Proxy Statement and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Information is contained under the caption “Independent Accountants” in our Proxy Statement and is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a)(1) The following consolidated financial statements of the Company and Report of Independent Public Accountants are contained in Item 8 — Financial Statements and Supplementary Data of this Form 10-K, which is incorporated herein by reference.

Report of Independent Public Accountants

Consolidated Financial Statements:

- Consolidated Balance Sheets as of December 31, 2013 and 2012
- Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011
- Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011
- Consolidated Statements of Shareholders' Equity for the years ended December 31, 2013, 2012 and 2011
- Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

(3) The Exhibits filed in response to Item 601 of Regulation S-K are listed in the Exhibit Index, which is incorporated herein by reference.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### CREDIT ACCEPTANCE CORPORATION

By: /s/ BRETT A. ROBERTS

Brett A. Roberts

*Chief Executive Officer*

*(Principal Executive Officer)*

Date: February 14, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on February 14, 2014 on behalf of the registrant and in the capacities indicated.

#### Signature

#### Title

/s/ BRETT A. ROBERTS

Brett A. Roberts

Chief Executive Officer and Director  
(Principal Executive Officer)

/s/ KENNETH S. BOOTH

Kenneth S. Booth

Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

/s/ GLENDA J. FLANAGAN

Glenda J. Flanagan

Director

/s/ DONALD A. FOSS

Donald A. Foss

Director and Chairman of the Board

/s/ THOMAS N. TRYFOROS

Thomas N. Tryforos

Director

/s/ SCOTT J. VASSALLUZZO

Scott J. Vassalluzzo

Director

## EXHIBIT INDEX

The following documents are filed as part of this report. Those exhibits previously filed and incorporated herein by reference are identified below. Exhibits not required for this report have been omitted. Unless otherwise noted, the Company's commission file number for all exhibits incorporated by reference herein is 000-20202.

Exhibit No.	Description
3.1	Articles of Incorporation, as amended July 1, 1997 (incorporated by reference to an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 1997)
3.2	Amended and Restated Bylaws of the Company, as amended, February 24, 2005 (incorporated by reference to an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
4.26	Backup Servicing Agreement dated May 23, 2008 among the Company, CAC Warehouse Funding III, LLC, Fifth Third Bank and Systems & Services Technologies, Inc. (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated June 2, 2008)
4.38	Indenture, dated as of February 1, 2010, among the Company, the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated February 5, 2010)
4.40	Fourth Amended and Restated Security Agreement, dated as of February 1, 2010, among the Company, the other Debtors party thereto and Comerica Bank, as collateral agent (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated February 5, 2010)
4.50	First Supplemental Indenture, dated as of March 3, 2011, among the Company, the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated March 3, 2011)
4.52	Fifth Amended and Restated Credit Agreement, dated as of June 17, 2011, among the Company, the Banks which are parties thereto from time to time, and Comerica Bank as Administrative Agent and Collateral Agent for the Banks (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated June 22, 2011)
4.54	Loan and Security Agreement dated as of August 19, 2011 among the Company, CAC Warehouse Funding LLC IV, BMO Capital Markets Corp., Bank of Montreal and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated August 24, 2011)
4.55	Backup Servicing Agreement dated as of August 19, 2011 among the Company, CAC Warehouse Funding LLC IV, Wells Fargo Bank, National Association, Bank of Montreal and BMO Capital Markets Corp. (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated August 24, 2011)
4.57	Indenture dated October 6, 2011, between Credit Acceptance Auto Loan Trust 2011-1 and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated October 12, 2011)
4.58	Sale and Servicing Agreement dated October 6, 2011, among the Company, Credit Acceptance Auto Loan Trust 2011-1, Credit Acceptance Funding LLC 2011-1, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated October 12, 2011)
4.59	Backup Servicing Agreement dated October 6, 2011, among the Company, Credit Acceptance Funding LLC 2011-1, Credit Acceptance Auto Loan Trust 2011-1, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated October 12, 2011)
4.60	Amended and Restated Trust Agreement dated October 6, 2011, between Credit Acceptance Funding LLC 2011-1 and U.S. Bank Trust National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated October 12, 2011)
4.61	Sale and Contribution Agreement dated October 6, 2011, between the Company and Credit Acceptance Funding LLC 2011-1 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated October 12, 2011)

4.65	Amended and Restated Intercreditor Agreement, dated as of February 1, 2010, among Credit Acceptance Corporation, the other Grantors party thereto, representatives of the Secured Parties thereunder and Comerica Bank, as administrative agent under the Original Credit Agreement (as defined therein) and as collateral agent (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated February 5, 2010)
4.66	Indenture dated as of March 29, 2012, between Credit Acceptance Auto Loan Trust 2012-1 and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 4, 2012)
4.67	Sale and Servicing Agreement dated as of March 29, 2012, among the Company, Credit Acceptance Auto Loan Trust 2012-1, Credit Acceptance Funding LLC 2012-1, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 4, 2012)
4.68	Backup Servicing Agreement dated as of March 29, 2012, among the Company, Credit Acceptance Funding LLC 2012-1, Credit Acceptance Auto Loan Trust 2012-1, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 4, 2012)
4.69	Amended and Restated Trust Agreement dated as of March 29, 2012, between Credit Acceptance Funding LLC 2012-1 and U.S. Bank Trust National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 4, 2012)
4.70	Sale and Contribution Agreement dated as of March 29, 2012, between the Company and Credit Acceptance Funding LLC 2012-1 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 4, 2012)
4.72	First Amendment to the Fifth Amended and Restated Credit Agreement, dated as of June 15, 2012, among the Company, the Banks which are parties thereto from time to time, and Comerica Bank as Administrative Agent and Collateral Agent for the Banks (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated June 15, 2012)
4.73	Amended and Restated Loan and Security Agreement, dated as of June 29, 2012 among the Company, CAC Warehouse Funding III, LLC, Fifth Third Bank and Systems & Services Technologies, Inc. (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated July 6, 2012)
4.74	Amended and Restated Contribution Agreement, dated as of June 29, 2012 between the Company and CAC Warehouse Funding III, LLC (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated July 6, 2012)
4.75	Indenture dated as of September 20, 2012, between Credit Acceptance Auto Loan Trust 2012-2 and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated September 20, 2012)
4.76	Sale and Servicing Agreement dated as of September 20, 2012, among the Company, Credit Acceptance Auto Loan Trust 2012-2, Credit Acceptance Funding LLC 2012-2, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated September 25, 2012)
4.77	Backup Servicing Agreement dated as of September 20, 2012, among the Company, Credit Acceptance Funding LLC 2012-2, Credit Acceptance Auto Loan Trust 2012-2, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated September 25, 2012)
4.78	Amended and Restated Trust Agreement dated as of September 20, 2012, between Credit Acceptance Funding LLC 2012-2 and U.S. Bank Trust National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated September 25, 2012)
4.79	Sale and Contribution Agreement dated as of September 20, 2012, between the Company and Credit Acceptance Funding LLC 2012-2 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated September 25, 2012)
4.81	Fifth Amended and Restated Loan and Security Agreement dated as of December 27, 2012 among the Company, CAC Warehouse Funding Corporation II, Variable Funding Capital Company LLC, Wells Fargo Securities, LLC, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated January 3, 2013)

	Amended and Restated Backup Servicing Agreement dated as of December 27, 2012 among the Company, CAC Warehouse Funding Corporation II, Wells Fargo Securities, LLC, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated January 3, 2013)
4.82	
	Third Amended and Restated Sale and Contribution Agreement dated as of December 27, 2012 between the Company and CAC Warehouse Funding Corporation II (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated January 3, 2013)
4.83	
	First Amendment to Loan and Security Agreement dated as of April 5, 2013 among the Company, CAC Warehouse Funding LLC IV, Bank of Montreal, BMO Capital Markets Corp., and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 5, 2013)
4.84	
	Amended and Restated Sale and Contribution Agreement dated as of April 5, 2013 between the Company and CAC Warehouse Funding LLC IV (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 5, 2013)
4.85	
	Indenture dated as of April 25, 2013, between Credit Acceptance Auto Loan Trust 2013-1 and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 29, 2013)
4.86	
	Sale and Servicing Agreement dated as of April 25, 2013 among the Company, Credit Acceptance Auto Loan Trust 2013-1, Credit Acceptance Funding LLC 2013-1, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 29, 2013)
4.87	
	Backup Servicing Agreement dated as of April 25, 2013, among the Company, Credit Acceptance Funding LLC 2013-1, Credit Acceptance Auto Loan Trust 2013-1, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 29, 2013)
4.88	
	Amended and Restated Trust Agreement dated as of April 25, 2013, between Credit Acceptance Funding LLC 2013-1 and U.S. Bank Trust National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 29, 2013)
4.89	
	Sale and Contribution Agreement dated as of April 25, 2013, between the Company and Credit Acceptance Funding LLC 2013-1 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 29, 2013)
4.90	
	Second Amendment to the Fifth Amended and Restated Credit Agreement, dated as of June 20, 2013, among the Company, the Banks which are parties thereto from time to time, and Comerica Bank as Administrative Agent and Collateral Agent for the Banks (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated June 24, 2013)
4.92	
	First Amendment to Amended and Restated Loan and Security Agreement, dated as of August 16, 2013, among the Company, CAC Warehouse Funding III, LLC, Fifth Third Bank and Systems & Services Technologies, Inc. (incorporated by reference to an exhibit to the Company's Form 10-Q, for the quarterly period ended September 30, 2013)
4.93	
	First Amendment to Amended and Restated Contribution Agreement, dated as of August 16, 2013, among the Company and CAC Warehouse Funding III, LLC (incorporated by reference to an exhibit to the Company's Form 10-Q, for the quarterly period ended September 30, 2013)
4.94	
	Indenture dated as of October 31, 2013, between Credit Acceptance Auto Loan Trust 2013-2 and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated November 5, 2013)
4.95	
	Sale and Servicing Agreement dated as of October 31, 2013 among the Company, Credit Acceptance Auto Loan Trust 2013-2, Credit Acceptance Funding LLC 2013-2, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated November 5, 2013)
4.96	
	Backup Servicing Agreement dated as of October 31, 2013, among the Company, Credit Acceptance Funding LLC 2013-2, Credit Acceptance Auto Loan Trust 2013-2, and Wells Fargo Bank, National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated November 5, 2013)
4.97	

4.98	Amended and Restated Trust Agreement dated as of October 31, 2013, between Credit Acceptance Funding LLC 2013-2 and U.S. Bank Trust National Association (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated November 5, 2013)
4.99	Sale and Contribution Agreement dated as of October 31, 2013, between the Company and Credit Acceptance Funding LLC 2013-2 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated November 5, 2013)
4.100	Amended and Restated Intercreditor Agreement dated October 31, 2013, among the Company, CAC Warehouse Funding Corporation II, CAC Warehouse Funding III, LLC, CAC Warehouse Funding LLC IV, Credit Acceptance Funding LLC 2013-2, Credit Acceptance Funding LLC 2013-1, Credit Acceptance Funding LLC 2012-2, Credit Acceptance Funding LLC 2012-1, Credit Acceptance Funding LLC 2011-1, Credit Acceptance Auto Loan Trust 2013-2, Credit Acceptance Auto Loan Trust 2013-1, Credit Acceptance Auto Loan Trust 2012-2, Credit Acceptance Auto Loan Trust 2012-1, Credit Acceptance Auto Loan Trust 2011-1, Fifth Third Bank, as agent, Wells Fargo Bank, National Association, as agent, Bank of Montreal, as agent and Comerica Bank, as agent (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated November 5, 2013)
4.101	Indenture, dated as of January 22, 2014, among Credit Acceptance Corporation, the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated January 27, 2014)
4.102	Registration Rights Agreement, dated January 22, 2014, among Credit Acceptance Corporation, Buyers Vehicle Protection Plan, Inc., Vehicle Remarketing Services, Inc. and the representative of the initial purchasers of the Company's 6.125% Senior Notes due 2021 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated January 27, 2014)
4.103	Third Amendment to the Fifth Amended and Restated Credit Agreement, dated as of December 9, 2013, among the Company, the Banks which are parties thereto from time to time, and Comerica Bank as Administrative Agent and Collateral Agent for the Banks
4.104	Amendment No. 1 to Fifth Amended and Restated Loan and Security Agreement, dated as of December 2, 2013, among the Company, CAC Warehouse Funding Corporation II, Variable Funding Capital Company LLC, Wells Fargo Securities, LLC, and Wells Fargo Bank, National Association
4.105	Amendment No. 1 to the Third Amended and Restated Sale and Contribution Agreement, dated as of December 2, 2013 between the Company and CAC Warehouse Funding Corporation II
4.106	Second Amendment to Loan and Security Agreement, dated as of December 4, 2013, among the Company, CAC Warehouse Funding LLC IV, Bank of Montreal, BMO Capital Markets Corp., and Wells Fargo Bank, National Association
4.107	First Amendment to Amended and Restated Sale and Contribution Agreement, dated as of December 4, 2013, between the Company and CAC Warehouse Funding LLC IV
4.108	Supplemental Indenture No. 1, dated as of December 20, 2013, between Credit Acceptance Auto Loan Trust 2011-1 and Wells Fargo Bank, National Association
4.109	Amendment No. 1 to Sale and Servicing Agreement, dated December 20, 2013, among the Company, Credit Acceptance Auto Loan Trust 2011-1, Credit Acceptance Funding LLC 2011-1, and Wells Fargo Bank, National Association
4.110	Amendment No. 1 to Sale and Contribution Agreement, dated December 20, 2013, between the Company and Credit Acceptance Funding LLC 2011-1
4.111	Supplemental Indenture No. 1, dated as of December 20, 2013, between Credit Acceptance Auto Loan Trust 2012-1 and Wells Fargo Bank, National Association
4.112	Amendment No. 1 to Sale and Servicing Agreement, dated as of December 20, 2013, among the Company, Credit Acceptance Auto Loan Trust 2012-1, Credit Acceptance Funding LLC 2012-1, and Wells Fargo Bank, National Association
4.113	Amendment No. 1 to Sale and Contribution Agreement, dated as of December 20, 2013, between the Company and Credit Acceptance Funding LLC 2012-1
4.114	Supplemental Indenture No. 1, dated as of December 20, 2013, between Credit Acceptance Auto Loan Trust 2012-2 and Wells Fargo Bank, National Association
4.115	Amendment No. 1 to Sale and Servicing Agreement, dated as of December 20, 2013, among the Company, Credit Acceptance Auto Loan Trust 2012-2, Credit Acceptance Funding LLC 2012-2, and Wells Fargo Bank, National Association



4.116	Amendment No. 1 to Sale and Contribution Agreement, dated as of December 20, 2013, between the Company and Credit Acceptance Funding LLC 2012-2
4.117	Fourth Amendment to the Fifth Amended and Restated Credit Agreement, dated as of January 15, 2014, by and among the Company, Comerica Bank and the other banks signatory thereto and Comerica Bank, as administrative agent for the Banks
Note:	Other instruments, notes or extracts from agreements defining the rights of holders of long-term debt of the Company or its subsidiaries have not been filed because (i) in each case the total amount of long-term debt permitted there under does not exceed 10% of the Company's consolidated assets and (ii) the Company hereby agrees that it will furnish such instruments, notes and extracts to the Securities and Exchange Commission upon its request.
10.1	Form of Servicing Agreement, as of April 2003 (incorporated by reference to an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 2003)
10.2	Purchase Program Agreement Recitals, as of April 2007 (incorporated by reference to an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 2007)
10.3	Credit Acceptance Corporation 1992 Stock Option Plan, as amended and restated May 1999 (incorporated by reference to an exhibit to the Company's Form 10-Q for the quarterly period ended June 30, 1999)*
10.4	Credit Acceptance Corporation Director Stock Option Plan (incorporated by reference to an exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 2001)
10.5	Form of Restricted Stock Grant Agreement (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K dated March 2, 2005)*
10.6	Incentive Compensation Bonus Formula for 2005 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K dated April 4, 2005)*
10.7	Form of Restricted Stock Grant Agreement, dated February 22, 2007 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated February 28, 2007)*
10.8	Credit Acceptance Corporation Restricted Stock Unit Award Agreement, dated February 22, 2007 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated February 28, 2007)*
10.9	Credit Acceptance Corporation Restricted Stock Unit Award Agreement, dated October 2, 2008 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated October 7, 2008)*
10.10	Credit Acceptance Corporation Restricted Stock Unit Award Agreement, dated November 13, 2008 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated November 19, 2008)*
10.11	Credit Acceptance Corporation Restricted Stock Unit Award Agreement, dated November 13, 2008 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated November 19, 2008)*
10.12	Credit Acceptance Corporation Restricted Stock Unit Award Agreement, dated March 27, 2009 (incorporated by reference to an exhibit to the Company's Current Report on Form 8-K, dated April 2, 2009)*
10.13	Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, as amended, April 6, 2009 (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Schedule 14A, dated April 10, 2009)*
10.14	Form of Credit Acceptance Corporation Restricted Stock Unit Award Agreement (incorporated by reference to an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 2009)*
10.15	Form of Credit Acceptance Corporation Board of Directors Restricted Stock Unit Award Agreement (incorporated by reference to an exhibit to the Company's Form 10-Q for the quarterly period ended September 30, 2009)*
10.16	Credit Acceptance Corporation Restricted Stock Unit Award Agreement, dated March 26, 2012 (incorporated by reference to an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 2012)*
10.17	Credit Acceptance Corporation Restricted Stock Award Agreement, dated March 26, 2012 (incorporated by reference to an exhibit to the Company's Form 10-Q for the quarterly period ended March 31, 2012)*

	Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, as amended, March 26, 2012 (incorporated by reference to
10.18	Annex A to the Company's Definitive Proxy Statement on Schedule 14A, dated April 5, 2012) *
10.19	Form of Credit Acceptance Corporation Restricted Stock Unit Award Agreement *
21	Schedule of Credit Acceptance Corporation Subsidiaries.
23	Consent of Grant Thornton LLP.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101(INS)	XBRL Instance Document. **
101(SCH)	XBRL Taxonomy Extension Schema Document. **
101(CAL)	XBRL Taxonomy Extension Calculation Linkbase Document. **
101(DEF)	XBRL Taxonomy Extension Definition Linkbase Document. **
101(LAB)	XBRL Taxonomy Label Linkbase Document. **
101(PRE)	XBRL Taxonomy Extension Presentation Linkbase Document. **

\* Management compensatory contracts and arrangements

\*\* Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

**THIRD AMENDMENT TO THE FIFTH  
AMENDED AND RESTATED CREDIT AGREEMENT**

This **Third Amendment to the Fifth Amended and Restated Credit Agreement** ("Third Amendment") is made as of December 9, 2013 by and among Credit Acceptance Corporation, a Michigan corporation ("Company"), and Comerica Bank, as administrative agent (in such capacity, "Agent") for itself and the other banks party to the Credit Agreement each a "Bank and collectively the "Banks").

**RECITALS**

- A. Company, Agent and the Banks entered into that certain Fifth Amended and Restated Credit Acceptance Corporation Credit Agreement dated as of June 17, 2011 (as amended and restated or otherwise modified from time to time, the "Credit Agreement") under which the Banks renewed and extended (or committed to extend) credit to the Company, as set forth therein.
- B. Company, Agent and the Banks entered into a Second Amendment to the Credit Agreement dated June 20, 2013 ("Second Amendment") intended, among other things, permit Company to incur certain Permitted Senior Notes Refinancing Debt.
- C. The Company has informed the Agent that the prohibition under Section 8.11 of the Credit Agreement with respect to negative pledges would effectively prevent the Company from entering into the Permitted Senior Notes Refinancing Debt which is otherwise permitted under the Credit Agreement as amended by the Second Amendment, and that the omission from the Second Amendment of a carveout in Section 8.11 for Permitted Senior Notes Refinancing Debt was inadvertent and the result of the Company's failure to request such carveout.
- D. The Company has requested that the Agent amend Section 8.11 of the Credit Agreement as set forth herein under the authority granted to the Agent under Section 13.11(c) of the Credit Agreement to amend the Credit Agreement with the consent of the Company only.
- E. As required under Section 13.11(c), Agent provided the Banks with written notice of this requested amendment on November 29, 2013 ("Notice of Corrective Amendment").
- F. Agent, having received no written objection from the Banks within the five (5) Business Day Period following such Notice of Corrective Amendment, hereby consents to the amendment requested by the Company and in the Notice of Corrective Amendment on the terms and conditions set forth in this Third Amendment.

**NOW, THEREFORE**, Company and Agent agree:

1. Section 8.11 of the Credit Agreement is hereby amended and restated as follows:
-

*“8.11 No Further Negative Pledges. Enter into or become subject to any agreement (i) prohibiting the guaranteeing by the Company or any Subsidiary of any obligations, (ii) prohibiting the creation or assumption of any lien or encumbrance upon the properties or assets of the Company or any Subsidiary, whether now owned or hereafter acquired, or (iii) requiring an obligation to become secured (or further secured) if another obligation is secured or further secured, other than (A) the Existing Senior Notes or Future Debt Documents and loan documents evidencing or otherwise related to the Existing Senior Notes, Future Debt, Permitted Senior Notes Refinancing Debt or unsecured overdraft lines of credit or similar credit arrangements maintained by the Subsidiaries in the ordinary course of business (but limited to the applicable Subsidiary or the property and assets of the applicable Subsidiary), or any purchase money Debt or asset sale agreement permitted under this Agreement or the other Loan Documents, but only to the extent of the property acquired with the proceeds of such purchase money Debt or the property which is the subject of such asset sale agreement, as the case may be, and (B) other than pursuant to any of the Securitization Documents, but as to any prohibition on the creation or assumption of any lien or encumbrance, only to the extent of the financial assets and the other rights and property transferred or encumbered or otherwise disposed of in connection with the Permitted Securitization covered by such Securitization Documents.”*

2. This Third Amendment shall become effective (“Third Amendment Effective Date”), according to the terms and as of the date hereof upon satisfaction by the Company of the following conditions:

(a) Agent shall have received counterpart originals of (i) this Third Amendment, duly executed and delivered by the Company and Agent.

(b) Company shall have paid to the Agent and the Banks all fees and expenses, if any, owed to the Agent and the Banks and accrued to the Third Amendment Effective Date.

Agent shall give notice to Company and the Banks of the occurrence of the Third Amendment Effective Date.

3. The Company ratifies and confirms, as of the date hereof and after giving effect to the amendments contained herein, each of the representations and warranties set forth in Sections 6.1 through 6.18, inclusive, of the Credit Agreement and acknowledges that such representations and warranties are and shall remain continuing representations and warranties during the entire life of the Credit Agreement.

4. Except as specifically set forth above, this Third Amendment shall not be deemed to amend or alter in any respect the terms and conditions of the Credit Agreement, any of the Notes issued thereunder or any of the other Loan Documents, or to constitute a waiver by the Banks or Agent of any right or remedy under or a consent to any transaction not meeting the terms and conditions of the Credit Agreement, any of the Notes issued thereunder or any of the other Loan Documents.

5. Unless otherwise defined to the contrary herein, all capitalized terms used in this Third Amendment shall have the meaning set forth in the Credit Agreement.
6. This Third Amendment may be executed in counterpart in accordance with Section 13.10 of the Credit Agreement.
7. This Third Amendment shall be construed in accordance with and governed by the laws of the State of Michigan.

**[Signatures Follow on Succeeding Pages]**

**WITNESS** the due execution hereof as of the day and year first above written.

**COMERICA BANK,**  
as Administrative Agent, Sole Lead Arranger, and  
Collateral Agent

By: /s/ Paul G. Russo

Its: Vice President

Signature Page to CAC Third Amendment

---

**CREDIT ACCEPTANCE  
CORPORATION**

By: /s/ Douglas W. Busk  
Douglas W. Busk  
Its: Treasurer

Signature Page to CAC Third Amendment

---

## AMENDMENT NO. 1 TO FIFTH AMENDED AND RESTATED

## LOAN AND SECURITY AGREEMENT

AMENDMENT NO. 1 TO FIFTH AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT, dated as of December 2, 2013 (this “Amendment”), is entered into in connection with that certain FIFTH AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT, dated as of December 27, 2012 (as amended, supplemented, restated or replaced from time to time, the “Agreement”), by and among CAC WAREHOUSE FUNDING CORPORATION II, a Nevada corporation, (the “Borrower”), CREDIT ACCEPTANCE CORPORATION, a Michigan corporation, (“Credit Acceptance”) as the originator, the servicer or the custodian, WELLS FARGO BANK, NATIONAL ASSOCIATION, as an investor for the VFCC Purchaser Group (an “Investor”) and the other Investors from time to time party thereto, VARIABLE FUNDING CAPITAL COMPANY, LLC, a Delaware limited liability company (“VFCC”), a CP conduit or a lender, and the other CP conduits from time to time party thereto, WELLS FARGO SECURITIES, LLC, a Delaware limited liability company (“WFS”), as deal agent (the “Deal Agent”), WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association with its headquarters in Charlotte, North Carolina (“Wells Fargo”), as the liquidity agent for the VFCC Purchaser Group (a “Liquidity Agent”) and the other Liquidity Agents from time to time party thereto, and WELLS FARGO BANK, NATIONAL ASSOCIATION, as the backup servicer (in such capacity, the “Backup Servicer”) and collateral agent (in such capacity, the “Collateral Agent”).

## PRELIMINARY STATEMENTS

WHEREAS, each of the signatories hereto is party to the Agreement; and

WHEREAS, the parties hereto desire to amend the Agreement in certain respects as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and in the Agreement, and other good and valuable consideration, the receipt and adequacy of which is hereby expressly acknowledged, and intending to be legally bound hereby, the signatories hereto agree as follows:

## AGREEMENT

SECTION 1. Definitions. Capitalized terms used and not defined in this Amendment shall have the meanings given to such terms in the Agreement.

SECTION 2. Amendments.

2.1 Each of the following defined terms appearing in Section 1.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

Contract Files: With respect to each Contract, the fully executed original counterpart of the Contract or, in the case of any Contract constituting electronic chattel paper, the Authoritative Electronic Copy of the Contract (in each case, for UCC purposes), the Certificate of Title with respect to the related financed vehicle or other evidence of lien, all original or electronic instruments modifying the terms and conditions of such Contract and the original or electronic endorsements or assignments of such Contract.

---



Records: The Dealer Agreements, Contracts, Contract Files and all other documents, books, records and other information (including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related contracts, records and other media for storage of information) in each case whether tangible or electronic that are maintained with respect to the Loans and the Contracts and the related Obligors.

2.2 The following new defined term is hereby added to Section 1.1 of the Agreement in the appropriate alphabetical sequence:

Authoritative Electronic Copy: With respect to any Contract stored in an electronic medium, the single electronic “authoritative copy” (within the meaning of Section 9-105 of the UCC) of such Contract (i) that constitutes the single authoritative copy of the record or records comprising the related chattel paper which is unique, identifiable and, except as otherwise provided in clauses (iv), (v) and (vi) below, unalterable, (ii) that identifies Credit Acceptance as the sole assignee thereof, (iii) is communicated to and maintained by Credit Acceptance, (iv) copies or revisions to which that add or change an identified assignee thereof can only be made with the participation of Credit Acceptance, (v) for which any copy thereof is readily identifiable as a copy that is not the authoritative copy and (vi) for which any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

2.3 The defined term “Eligible Dealer Loan” appearing in Section 1.1 of the Agreement is amended by (i) deleting the word “and” from the end of clause (o) thereof, (ii) replacing the period (“.”) at the end of clause (p) thereof with “; and” and (iii) adding the following clause (q) therein:

(q) if any Dealer Loan Contract securing such Dealer Loan is an electronic contract, such electronic contract constitutes “electronic chattel paper” and there is only a single “authoritative copy” (as such terms are used in Section 9-105 of the UCC) of such electronic contract and such “authoritative copy” constitutes an Authoritative Electronic Copy.

2.4 Clauses (a) and (m) of the defined term “Eligible Purchased Loan” appearing in Section 1.1 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(a) which has been originated in the United States by a Dealer for the retail sale of a Financed Vehicle in the ordinary course of such Dealer's business and is evidenced by a fully and properly executed Purchased Loan Contract of which there is only one original executed copy (or, if such Purchased Loan Contract is an electronic contract, there is only a single "authoritative copy" (as such term is used in Section 9-105 of the UCC) of such electronic contract and such "authoritative copy" constitutes an Authoritative Electronic Copy);

(m) which (i) constitutes either "tangible chattel paper," "electronic chattel paper" or "payment intangible" each as defined in the UCC in the Relevant UCC State, (ii) if "tangible chattel paper," shall be maintained in its original "tangible" form, unless the Collateral Agent has consented in writing to such chattel paper being maintained in another form or medium, and (iii) if "electronic chattel paper," there is only a single "authoritative copy" (as such term is used in Section 9-105 of the UCC) and such "authoritative copy" constitutes an Authoritative Electronic Copy;

2.5 Clause (a)(vi) appearing in Section 4.2 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(vi) each Contract and Purchased Loan constitutes tangible or electronic chattel paper; and

2.6 Section 5.4(e) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(e) Preservation of Security Interest. The Servicer will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the security interest of the Collateral Agent as agent for the Secured Parties in, to and under the Collateral. In its capacity as Custodian, it will maintain possession of, or control over, the Contract Files and Records, as Custodian for the Secured Parties, as set forth in Section 6.2(c).

2.7 The following new clause (j) is hereby inserted at the end of Section 5.5 of the Agreement:

(j) Electronic Contracts. Credit Acceptance will not transfer to the Borrower any Purchased Loan Contract constituting electronic chattel paper or any Dealer Loan secured by a Dealer Loan Contract constituting electronic chattel paper, in either case, unless and until all of the following conditions precedent have been satisfied: (i) Credit Acceptance shall have delivered to the Deal Agent at least 10 days prior written notice of the first such transfer, (ii) prior to the first such transfer, Credit Acceptance shall have delivered or caused to be delivered to the Collateral Agent, the Deal Agent and the Lender (x) an Opinion of Counsel in form and substance acceptable to the Deal Agent in its sole discretion (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specific procedures are followed by Credit Acceptance, Credit Acceptance's security interest (as defined in the UCC) in the Contracts constituting electronic chattel paper will be perfected by "control" and (y) Opinions of Counsel with respect to security interest matters in form and substance reasonably satisfactory to the Deal Agent substantially to the effect of the opinions with respect to security interest matters delivered on December 27, 2012 pursuant to Section 3.1 of this Agreement and (iii) Credit Acceptance shall have "control" of such electronic chattel paper within the meaning of Section 9-105 of the UCC.

(c) (i) The Borrower, Deal Agent and Collateral Agent hereby revocably appoint Credit Acceptance as custodian (or if there has been a Successor Servicer appointed hereunder then such Successor Servicer shall be appointed as Custodian in accordance with Section 6.2(d)), and Credit Acceptance hereby accepts such appointment, to hold and maintain physical possession of the Contract Files and all Records (or with respect to any Contract constituting electronic chattel paper, to maintain "control" (within the meaning of Section 9-105 of the UCC) of the Authoritative Electronic Copy thereof) (in such capacity together with its successors in such capacity, the "Custodian"). The Contract Files and Records are to be delivered to the Custodian or its designated bailee by or on behalf of the Borrower, the Deal Agent and Collateral Agent within two (2) Business Days preceding the Funding Date or within 2 Business Days after each Addition Date, as the case may be, with respect to each Loan acquired on the Funding Date or Addition Date.

(iv) (B) carry out such policies and procedures in accordance with its customary actions with respect to the handling and custody of the Contract Files and Records so that the integrity and physical possession of the Contract Files and Records (or with respect to any Contract constituting electronic chattel paper, the integrity and "control" (within the meaning of Section 9-105 of the UCC) of the Authoritative Electronic Copy thereof) will be maintained.

(v) Credit Acceptance shall have the obligation (i) to physically segregate the Contract Files (to the extent held in physical form) from the other custodial files it is holding for its own account or on behalf of any other Person, (ii) to physically mark the Contract folders (to the extent held in physical form) to demonstrate the transfer of Contract Files and the Collateral Agent's security interest hereunder, (iii) mark its computer records indicating the transfer of any Contract Files relating to Contracts constituting electronic chattel paper and the Collateral Agent's security interest hereunder, and (iv) with respect to each Contract constituting electronic chattel paper, cause the single "authoritative copy" (within the meaning of Section 9-105 of the UCC) to be communicated to and maintained at all times by Credit Acceptance such that the "authoritative copy" constitutes an Authoritative Electronic Copy at all times.

SECTION 3. Conditions to Effectiveness. This Amendment shall become effective on and as of the date hereof, upon the receipt by the Deal Agent of an executed counterpart of this Amendment from each party hereto.

SECTION 4. Severability of Provisions. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 5. Captions. The captions in this Amendment are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 6. Agreement to Remain in Full Force and Effect. Except as amended hereby, the Agreement shall remain in full force and effect and is hereby ratified, adopted and confirmed in all respects. All references in the Agreement to “herein,” or words of like import, and all references to the Agreement in any agreement or document shall hereafter be deemed to refer to the Agreement as amended hereby.

SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 8. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Amendment.

SECTION 9. Representations and Warranties. The Borrower hereby certifies that (i) the representations and warranties made by it in Section 4.1 of the Agreement are true and correct as of the date hereof, as though made on and as of the date hereof and (ii) as of the date hereof, there is no Termination Event or Servicer Termination Event or event which, with the passage of time of the giving of notice, could result in a Termination Event or a Servicer Termination Event.

SECTION 10. Waiver of Notice. Each of the parties hereto hereby waives any notice in connection with the execution and delivery of this Amendment.

*[Signatures begin on the following page]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date and year first above written.

**CAC WAREHOUSE FUNDING**

**CORPORATION II**, as Borrower

By: /s/ Douglas W. Busk

Name: Douglas W. Busk

Title: Treasurer

**CREDIT ACCEPTANCE CORPORATION,**  
as the Servicer and Custodian

By: /s/ Douglas W. Busk

Name: Douglas W. Busk

Title: Senior Vice President and Treasurer

S-1

Amendment No.1 to Fifth Amended and Restated  
Loan and Security Agreement

---

**WELLS FARGO SECURITIES, LLC,**  
as Deal Agent

By: /s/ Chad Kobos

Name:  
Title:

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION,** as Liquidity Agent and Investor

By: /s/ Adam Bowman

Name: Adam Bowman  
Title: Director

S-2

Amendment No.1 to Fifth Amended and Restated  
Loan and Security Agreement

---

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**, as Backup Servicer and  
Collateral Agent

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

S-3

Amendment No.1 to Fifth Amended and Restated  
Loan and Security Agreement

---

## AMENDMENT NO. 1 TO THIRD AMENDED AND RESTATED

## SALE AND CONTRIBUTION AGREEMENT

AMENDMENT NO. 1 TO THIRD AMENDED AND RESTATED SALE AND CONTRIBUTION AGREEMENT, dated as of December 2, 2013 (this "Amendment"), is entered into in connection with that certain THIRD AMENDED AND RESTATED SALE AND CONTRIBUTION AGREEMENT, dated as of December 27, 2012 (as amended, supplemented, restated or replaced from time to time, the "Agreement"), by and between CREDIT ACCEPTANCE CORPORATION, a Michigan corporation ("CAC"), and CAC WAREHOUSE FUNDING CORPORATION II, a Nevada corporation ("Funding").

## PRELIMINARY STATEMENTS

WHEREAS, each of the signatories hereto is party to the Agreement; and

WHEREAS, the parties hereto desire to amend the Agreement in certain respects as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and in the Agreement, and other good and valuable consideration, the receipt and adequacy of which is hereby expressly acknowledged, and intending to be legally bound hereby, the signatories hereto agree as follows:

## AGREEMENT

SECTION 1. Definitions. Capitalized terms used and not defined in this Amendment shall have the meanings given to such terms in the Agreement.

SECTION 2. Amendments.

2.1 Clauses (a) and (f) appearing in Section 4.2 of the Agreement are hereby amended in their entirety and as so amended shall read as follows:

(a) Nature of Loans, Contracts. Each Loan classified as an "Eligible Dealer Loan" (or included in any aggregation of balances of "Eligible Dealer Loans") or as an "Eligible Purchased Loan" (or included in any aggregation of balances of "Eligible Purchased Loans") by CAC in any document or report delivered hereunder or under the Loan and Security Agreement, at the time of such representation, or at the time of such calculation, as applicable, in fact satisfied the requirements contained in the definition of Eligible Dealer Loan or Eligible Purchased Loan, as applicable, on the date such Loan was conveyed or pledged to Funding; each Contract classified as an "Eligible Dealer Loan Contract" or "Eligible Purchased Loan Contract" (or included in any aggregation of balances of "Eligible Dealer Loan Contracts" or "Eligible Purchased Loan Contract") by CAC in any document or report delivered hereunder or under the Loan and Security Agreement, at the time of such representation, or at the time of such calculation, as applicable, in fact satisfied the requirements contained in the definition of Eligible Dealer Loan Contract on the date such Contract was conveyed or pledged to Funding.

---



- (f) Chattel Paper. Each Contract and Purchased Loan constitutes tangible or electronic chattel paper.

2.2 Clause (j) appearing in Section 5.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(j) Preservation of Security Interest. CAC will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and perfect the security interest of Funding in, to and under the Conveyed Property. CAC will maintain possession of the Dealer Agreements and the Contract Files and Records (or with respect to any Contract constituting electronic chattel paper, will maintain "control" (within the meaning of Section 9-105 of the UCC) of the Authoritative Electronic Copy thereof), as custodian for the Collateral Agent, as set forth in Section 6.2(c) of the Loan and Security Agreement. CAC, as Servicer, will comply with its covenants under Section 5.4(d) of the Loan and Security Agreement.

2.3 The lead-in to Section 5.2 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

Section 5.2 Negative Covenants. During the term of this Agreement, unless Funding and the Deal Agent shall otherwise consent in writing:

2.4 The following new clause (g) shall be inserted at the end of Section 5.2 of the Agreement:

(g) Electronic Contracts. CAC will not transfer to Funding any Purchased Loan Contract constituting electronic chattel paper or any Dealer Loan secured by a Dealer Loan Contract constituting electronic chattel paper, in either case, unless and until all of the following conditions precedent have been satisfied: (i) CAC shall have delivered to the Deal Agent at least 10 days prior written notice of the first such transfer, (ii) prior to the first such transfer, CAC shall have delivered or caused to be delivered to the Collateral Agent, the Deal Agent and the Lender (x) an Opinion of Counsel in form and substance acceptable to the Deal Agent in its sole discretion (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specific procedures are followed by CAC, CAC's security interest (as defined in the UCC) in the Contracts constituting electronic chattel paper will be perfected by "control" and (y) Opinions of Counsel with respect to security interest matters in form and substance reasonably satisfactory to the Deal Agent substantially to the effect of the opinions with respect to security interest matters delivered on December 27, 2012 pursuant to Section 3.1 of the Loan and Security Agreement, and (iii) CAC shall have "control" of such electronic chattel paper within the meaning of Section 9-105 of the UCC.

2.5 Clause (xii) of Section 5.3(a) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(xii) the failure of a Contract File to contain the relevant original Contract or, in the case of any Contract constituting electronic chattel paper, the Authoritative Electronic Copy of the relevant Contract (in each case, for UCC purposes).

SECTION 3. Conditions to Effectiveness. This Amendment shall become effective as of the date when this Amendment has been duly executed by, and delivered to, the parties hereto.

SECTION 4. Severability of Provisions. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 5. Captions. The captions in this Amendment are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 6. Agreement to Remain in Full Force and Effect. Except as amended hereby, the Agreement shall remain in full force and effect and is hereby ratified, adopted and confirmed in all respects. All references in the Agreement to "herein," or words of like import, and all references to the Agreement in any agreement or document shall hereafter be deemed to refer to the Agreement as amended hereby.

SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 8. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Amendment.

SECTION 9. Representations and Warranties. CAC hereby certifies that (i) the representations and warranties made by it in Section 4.1 of the Agreement are true and correct as of the date hereof, as though made on and as of the date hereof and (ii) as of the date hereof, there is no Termination Event or Servicer Termination Event or event which, with the passage of time of the giving of notice, could result in a Termination Event or a Servicer Termination Event.

SECTION 10. Waiver of Notice. Each of the parties hereto hereby waives any notice in connection with the execution and delivery of this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date and year first above written.

**CAC WAREHOUSE FUNDING  
CORPORATION II**

By: /s/ Douglas W. Busk  
Name: Douglas W. Busk  
Title: Treasurer

**CREDIT ACCEPTANCE CORPORATION**

By: /s/ Douglas W. Busk  
Name: Douglas W. Busk  
Title: Senior Vice President and Treasurer

S-1

Amendment No.1 to Third Amended and Restated  
Sale and Contribution Agreement

---

Consented to and Acknowledged:

**WELLS FARGO SECURITIES, LLC,**  
as Deal Agent

By: /s/ Chad Kobos

Name: Chad Kobos  
Title: Director

S-2

Amendment No.1 to Third Amended and Restated  
Sale and Contribution Agreement

---



## SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT

This SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT, dated as of December 4, 2013 (the "*Amendment*"), is made pursuant to that certain Loan and Security Agreement dated as of August 19, 2011 (as amended by the First Amendment thereto, dated as of April 5, 2013, the "*Agreement*"), among CAC Warehouse Funding LLC IV, a Delaware limited liability company, (the "*Borrower*"), Credit Acceptance Corporation, a Michigan corporation, ("*Credit Acceptance*", the "*Originator*", the "*Servicer*" or the "*Custodian*"), Bank of Montreal, acting through its Chicago Branch (the "*Lender*"), BMO Capital Markets Corp., a Delaware corporation, as deal agent (the "*Deal Agent*"), Bank of Montreal, acting through its Chicago Branch (the "*Collateral Agent*"), and Wells Fargo Bank, National Association, a national banking association, as backup servicer (the "*Backup Servicer*").

## WITNESSETH:

WHEREAS, the Borrower, Credit Acceptance, the Lender, the Deal Agent, the Collateral Agent and the Backup Servicer have previously entered into and are currently party to the Agreement;

WHEREAS, the Borrower has requested that certain amendments be made to the Agreement, and the Borrower, Credit Acceptance, the Lender, the Deal Agent, the Collateral Agent and the Backup Servicer are willing to amend the Agreement under the terms and conditions set forth in this Amendment;

Now, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

*Section 1. Defined Terms.* Unless otherwise amended by the terms of this Amendment, capitalized terms used in this Amendment shall have the meanings assigned to such terms in the Agreement.

*Section 2. Amendments.*

- 2.1. Each of the following defined terms appearing in Section 1.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

*"Contract Files"*: With respect to each Contract, the fully executed original counterpart of such Contract or, in the case of any Contract constituting electronic chattel paper, the Authoritative Electronic Copy of the Contract (in each case, for UCC purposes), either a copy of the application to the appropriate state authorities for a Certificate of Title with respect to the related financed vehicle or a standard assurance in the form commonly used in the industry relating to the provision of a Certificate of Title or other evidence of lien, all original or electronic instruments modifying the terms and conditions of such Contract and the original or electronic endorsements or assignments of such Contract.

---

*“Records”*: The Dealer Agreements, Contracts, Contract Files and all other documents, books, records and other information (including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related contracts, records and other media for storage of information) in each case whether tangible or electronic that are maintained with respect to the Loans and the Contracts and the related Obligors.

2.2. The following new defined term is hereby added to Section 1.1 of the Agreement in the appropriate alphabetical sequence:

*“Authoritative Electronic Copy”*: With respect to any Contract stored in an electronic medium, the single electronic “authoritative copy” (within the meaning of Section 9-105 of the UCC) of such Contract (i) that constitutes the single authoritative copy of the record or records comprising the related chattel paper which is unique, identifiable and, except as otherwise provided in clauses (iv), (v) and (vi) below, unalterable, (ii) that identifies Credit Acceptance as the sole assignee thereof, (iii) is communicated to and maintained by Credit Acceptance, (iv) copies or revisions to which that add or change an identified assignee thereof can only be made with the participation of Credit Acceptance, (v) for which any copy thereof is readily identifiable as a copy that is not the authoritative copy and (vi) for which any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

2.3. The defined term “Eligible Dealer Loan” appearing in Section 1.1 of the Agreement is amended by (i) deleting the word “and” from the end of clause (n) thereof, (ii) replacing the period (“.”) at the end of clause (o) thereof with “; and” and (iii) adding the following clause (p) therein:

(p) if any Dealer Loan Contract securing such Dealer Loan is an electronic contract, such electronic contract constitutes “electronic chattel paper” and there is only a single “authoritative copy” (as such terms are used in Section 9-105 of the UCC) of such electronic contract and such “authoritative copy” constitutes an Authoritative Electronic Copy.

2.4. Clauses (a) and (m) of the defined term “Eligible Purchased Loan” appearing in Section 1.1 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(a) which has been originated in the United States by a Dealer for the retail sale of a Financed Vehicle in the ordinary course of such Dealer’s business and is evidenced by a fully and properly executed Purchased Loan Contract of which there is only one original executed copy (or, if such Purchased Loan Contract is an electronic contract, there is only a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of such electronic contract and such “authoritative copy” constitutes an Authoritative Electronic Copy);

(m) which (i) constitutes either “tangible chattel paper,” “electronic chattel paper” or a “payment intangible,” as such terms are defined in the UCC in the relevant State, (ii) if “tangible chattel paper,” shall be maintained in its original “tangible” form, unless the Collateral Agent has consented in writing to such chattel paper being maintained in another form or medium, and (iii) if “electronic chattel paper,” there is only a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) and such “authoritative copy” constitutes an Authoritative Electronic Copy;

2.5. Clause (a)(vi) appearing in Section 4.2 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(vi) each Contract and Purchased Loan constitutes tangible or electronic chattel paper; and

2.6. Section 5.4(e) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(e) *Preservation of Security Interest.* The Servicer will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the security interest of the Collateral Agent as agent for the Secured Parties in, to and under the Collateral. In its capacity as Custodian, it will maintain possession of, or control over, the Contract Files and Records, as Custodian for the Secured Parties, as set forth in Section 6.2(c).

2.7. The following new clause (i) is hereby inserted at the end of Section 5.5 of the Agreement:

(i) *Electronic Contracts.* Credit Acceptance will not transfer to the Borrower any Purchased Loan Contract constituting electronic chattel paper or any Dealer Loan secured by a Dealer Loan Contract constituting electronic chattel paper, in either case, unless and until all of the following conditions precedent have been satisfied: (i) Credit Acceptance shall have delivered to the Deal Agent at least 10 days prior written notice of the first such transfer, (ii) prior to the first such transfer, Credit Acceptance shall have delivered or caused to be delivered to the Collateral Agent, the Deal Agent and the Lender an Opinion of Counsel in form and substance acceptable to the Deal Agent in its sole discretion (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specific procedures are followed by Credit Acceptance, Credit Acceptance’s security interest (as defined in the UCC) in the Contracts constituting electronic chattel paper will be perfected by “control” and (iii) Credit Acceptance shall have “control” of such electronic chattel paper within the meaning of Section 9-105 of the UCC.



2.8. Clauses (i), (iv)(B) and (v) appearing in Section 6.2(c) of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(c) (i) The Borrower, Deal Agent and Collateral Agent hereby revocably appoint Credit Acceptance as custodian, and Credit Acceptance hereby accepts such appointment, to hold and maintain physical possession of the Contract Files and all Records (or with respect to any Contract constituting electronic chattel paper, to maintain "control" (within the meaning of Section 9-105 of the UCC) of the Authoritative Electronic Copy thereof) (in such capacity together with its successors in such capacity, the "Custodian"). The Contract Files and Records are to be delivered to the Custodian or its designated bailee by or on behalf of the Borrower, the Deal Agent and Collateral Agent within two (2) Business Days preceding the Funding Date or within 2 Business Days after each Addition Date, as the case may be, with respect to each Loan acquired on the Funding Date or Addition Date.

(iv) (B) carry out such policies and procedures in accordance with its customary actions with respect to the handling and custody of the Contract Files and Records so that the integrity and physical possession of the Contract Files and Records (or with respect to any Contract constituting electronic chattel paper, the integrity and "control" (for UCC purposes) of the Authoritative Electronic Copy thereof) will be maintained.

(v) Credit Acceptance shall have the obligation (i) to physically segregate the Contract Files (to the extent held in physical form) from the other custodial files it is holding for its own account or on behalf of any other Person, (ii) to physically mark the Contract folders (to the extent held in physical form) to demonstrate the transfer of Contract Files and the Collateral Agent's security interest hereunder, (iii) mark its computer records indicating the transfer of any Contract Files relating to Contracts constituting electronic chattel paper and the Collateral Agent's security interest hereunder, and (iv) with respect to each Contract constituting electronic chattel paper, cause the single "authoritative copy" (within the meaning of Section 9-105 of the UCC) to be communicated to and maintained at all times by Credit Acceptance such that the "authoritative copy" constitutes an Authoritative Electronic Copy at all times.

*Section 3. Conditions Precedent; Effectiveness of Amendment.* This Amendment shall not become effective until each document specified in Schedule A attached hereto has been duly executed by, and delivered to, the parties hereto and thereto and the Deal Agent has received all such executed documents.

*Section 4. Representations of the Borrower and Servicer.* Each of Borrower and Servicer hereby represent and warrant to the parties hereto that as of the date hereof each of the representations and warranties contained in Article IV of the Agreement and any other Transaction Document to which it is a party are true and correct as of the date hereof and after giving effect to this Amendment (except to the extent that such representations and warranties relate solely to an earlier date, and then are true and correct as of such earlier date) and that no Termination Event has occurred and is continuing as of the date hereof and after giving effect to this Amendment.

*Section 5. Agreement in Full Force and Effect.* Except as expressly set forth herein, all terms and conditions of the Agreement, as amended, shall remain in full force and effect.

*Section 6. Execution in Counterparts.* This Amendment may be executed by the parties hereto in several counterparts, each of which so executed shall be deemed an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

*Section 7. Governing Law.* THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

*Section 8. Fees and Expenses.* The Borrower agrees to pay on demand all reasonable costs and expenses of or incurred by the Deal Agent and the Lender in connection with the negotiation, preparation, execution and delivery of this Amendment, including the reasonable fees and expenses of external counsel for the Deal Agent and the Lender.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to Loan and Security Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

CAC WAREHOUSE FUNDING LLC IV

By: /s/ Douglas W. Busk  
Name: Douglas W. Busk  
Title: Senior Vice President & Treasurer

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk  
Name: Douglas W. Busk  
Title: Senior Vice President & Treasurer

BANK OF MONTREAL, CHICAGO BRANCH

By: /s/ Karen Louie  
Name: Karen Louie  
Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Julie Tanner Fischer  
Name: Julie Tanner Fischer  
Title: Vice President

BMO CAPITAL MARKETS CORP.

By: /s/ Matthew Peters  
Name: Matthew Peters  
Title: Managing Director

[Signature Page to First Amendment to Loan and Security Agreement]

---

SCHEDULE A

CONDITION PRECEDENT DOCUMENTS RELATING TO SECOND AMENDMENT

I. TRANSACTION DOCUMENTS		
A.	Second Amendment to Loan and Security Agreement	Skadden
B.	First Amendment to Amended and Restated Sale and Contribution Agreement	Skadden
II. ADDITIONAL DOCUMENTS		
A.	Good Standing Certificates	Skadden

Key:

Skadden	Skadden, Arps, Slate, Meagher & Flom LLP
---------	--



**FIRST AMENDMENT TO  
AMENDED AND RESTATED SALE AND CONTRIBUTION AGREEMENT**

This FIRST AMENDMENT TO AMENDED AND RESTATED SALE AND CONTRIBUTION AGREEMENT, dated as of December 4, 2013 (the "*Amendment*"), is made pursuant to that certain Amended and Restated Sale and Contribution Agreement dated as of April 5, 2013 (as amended, modified or supplemented from time to time, the "*Agreement*"), between Credit Acceptance Corporation, a Michigan corporation ("*CAC*"), and CAC Warehouse Funding LLC IV, a Delaware limited liability company (the "*Funding*").

**WITNESSETH:**

**WHEREAS**, CAC and Funding have previously entered into and are currently party to the Agreement;

**WHEREAS**, the parties hereto desire to amend the Agreement as set forth herein;

**Now, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

*Section 1. Defined Terms.* Capitalized terms defined or referenced in the Agreement and not otherwise defined or referenced herein are used herein as defined or referenced in the Agreement.

*Section 2. Amendments.*

2.1. Section 4.1(dd) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(dd) Chattel Paper. Each Contract constitutes tangible or electronic chattel paper.

2.2. Section 5.1(j) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(j) Preservation of Security Interest. CAC will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and perfect the security interest of Funding in, to and under the Conveyed Property. CAC will maintain possession of the Dealer Agreements and the Contract Files and Records (or with respect to any Contract constituting electronic chattel paper, will maintain "control" (within the meaning of Section 9-105 of the UCC) of the Authoritative Electronic Copy thereof), as custodian for the Collateral Agent, as set forth in Section 6.2(c) of the Loan and Security Agreement. CAC, as Servicer, will comply with its covenants under Section 5.4(d) of the Loan and Security Agreement.

2.3. The following new clause (g) shall be inserted at the end of Section 5.2 of the Agreement:

(g) Electronic Contracts. CAC will not transfer to Funding any Purchased Loan Contract constituting electronic chattel paper or any Dealer Loan secured by a Dealer Loan Contract constituting electronic chattel paper, in either case, unless and until all of the following conditions precedent have been satisfied: (i) CAC shall have delivered to the Deal Agent at least 10 days prior written notice of first such transfer, (ii) prior to the first such transfer, CAC shall have delivered or caused to be delivered to the Collateral Agent, the Deal Agent and the Lender an Opinion of Counsel in form and substance acceptable to the Deal Agent in its sole discretion (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specific procedures are followed by CAC, CAC's security interest (as defined in the UCC) in the Contracts constituting electronic chattel paper will be perfected by "control" and (iii) CAC shall have "control" of such electronic chattel paper within the meaning of Section 9-105 of the UCC.

2.4. Clause (xii) of Section 5.3(a) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(xii) the failure of a Contract File to contain the relevant original Contract or, in the case of any Contract constituting electronic chattel paper, the Authoritative Electronic Copy of the relevant Contract (in each case, for UCC purposes, and other than pursuant to the proviso in Section 4.1(m)).

*Section 3. Conditions Precedent; Effectiveness of Amendment.* This Amendment shall become effective as of the date when this Amendment has been duly executed by, and delivered to, the parties hereto.

*Section 4. Representations of the Borrower and Servicer.* Each of Funding and CAC hereby represent and warrant to the parties hereto that as of the date hereof each of the representations and warranties contained in Article IV of the Agreement and any other Transaction Document to which it is a party are true and correct as of the date hereof and after giving effect to this Amendment (except to the extent that such representations and warranties relate solely to an earlier date, and then are true and correct as of such earlier date) and that no Termination Event has occurred and is continuing as of the date hereof and after giving effect to this Amendment.

*Section 5. Agreement in Full Force and Effect.* Except as expressly set forth herein, all terms and conditions of the Agreement, as amended, shall remain in full force and effect.

*Section 6. Execution in Counterparts.* This Amendment may be executed by the parties hereto in several counterparts, each of which so executed shall be deemed an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

*Section 7. Governing Law.* THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Amended and Restated Sale and Contribution Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

CAC WAREHOUSE FUNDING LLC IV

By: /s/ Douglas W. Busk  
Name: Douglas W. Busk  
Title: Senior Vice President & Treasurer

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk  
Name: Douglas W. Busk  
Title: Senior Vice President & Treasurer

[Signature Page to First Amendment to Amended and Restated Sale and Contribution Agreement]

---



CONSENTED and Acknowledged:

BMO CAPITAL MARKETS CORP.

By: /s/ Matthew Peters

Name: Matthew Peters

Title: Managing Director

[Signature Page to First Amendment to Amended and Restated Sale and Contribution Agreement]

---

## SUPPLEMENTAL INDENTURE NO. 1

SUPPLEMENTAL INDENTURE NO. 1, dated as of December 20, 2013 (this “Supplemental Indenture”) between Credit Acceptance Auto Loan Trust 2011-1, a Delaware statutory trust (the “Issuer”), and Wells Fargo Bank, National Association (“Wells Fargo”), as Trust Collateral Agent and Indenture Trustee, under the Indenture referred to below.

## BACKGROUND

WHEREAS, the Issuer and Wells Fargo have entered into an indenture dated as of October 6, 2011 (as may be further amended, supplemented or otherwise modified and in effect from time to time, the “Indenture”);

WHEREAS, pursuant to Section 9.2 of the Indenture, the Issuer and the Indenture Trustee (when authorized by an Issuer Order), with the consent of the Majority Noteholders and prior notice to the Rating Agencies, are permitted to enter into an indenture or supplemental indentures for the purpose of modifying in any manner the rights of the Holders of the Notes under the Indenture;

WHEREAS, the Issuer now wishes to amend the Indenture as set forth herein and has, pursuant to an Issuer Order dated December 20, 2013, requested the Indenture Trustee to join with it in the execution and delivery of this Supplemental Indenture;

WHEREAS, the Servicer has caused to be delivered to the Rating Agencies notice of this Supplemental Indenture, and the Issuer and the Indenture Trustee have obtained the consent of the Majority Noteholders to modify the Indenture as set forth in this Supplemental Indenture;

NOW THEREFORE, the Issuer and the Indenture Trustee hereby agree as follows:

## AGREEMENT

SECTION 1. Incorporation by Reference. Capitalized terms defined or referenced in the Indenture and not otherwise defined or referenced herein are used herein as defined or referenced in the Indenture.

SECTION 2. Amendments.

2.1 Section 5.5 of the Indenture is hereby amended in its entirety and as so amended shall read as follows:

SECTION 5.5. Optional Preservation of the Trust Property.

If the Notes have been declared to be due and payable under Section 5.2 following an Indenture Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may, with the prior written consent of the Majority Noteholders, but need not unless directed in writing by the Majority Noteholders maintain possession of and/or control over the Trust Property which is in its possession or over which it has control and elect to direct the Trust Collateral Agent to maintain possession of and/or control over the Trust Property which is in the possession of or controlled by the Trust Collateral Agent. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Majority Noteholders, shall take such desire into account when determining whether or not to direct the Indenture Trustee or the Trust Collateral Agent, as applicable, to maintain possession of and/or control over the Trust Property. In determining whether to direct the Indenture Trustee or the Trust Collateral Agent, as applicable, to obtain possession of and/or control over the Trust Property, the Majority Noteholders may, but need not maintain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Trust Property for such purpose.

---

2.2 Schedule A to the Indenture is hereby amended in its entirety and as so amended shall read as Schedule A appearing in Annex 1 hereto.

SECTION 3. Indenture Otherwise Unchanged. Except as herein provided, the Indenture shall remain unchanged and in full force and effect, and each reference to the Indenture and words of similar import in the Indenture, as amended hereby, shall be a reference to the Indenture as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Supplemental Indenture shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Indenture other than as set forth herein.

SECTION 4. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 5. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Miscellaneous. The Indenture, as supplemented and amended by this Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

SECTION 7. Execution, Delivery and Validity. Each party hereto represents and warrants to each other party hereto that this Supplemental Indenture has been duly and validly executed and delivered by such party and constitutes its legal, valid and binding obligation, enforceable against such party in accordance with its terms.

SECTION 8. Binding Effect. This Supplemental Indenture shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplemental Indenture to be duly executed by their respective officers, thereunto duly authorized, all as of the day and year first above written.

**CREDIT ACCEPTANCE AUTO LOAN  
TRUST 2011-1**, as Issuer

By: U.S. Bank Trust National Association,  
not in its individual capacity but solely  
as Owner Trustee

By: /s/ Annette Morgan

Name: Annette Morgan  
Title: Assistant Vice President

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**

not in its individual capacity but solely as Indenture Trustee

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

[Signature Page to Supplemental Indenture No. 1]

---

**Perfection Representations, Warranties and Covenants**

In addition to the representations, warranties and covenants contained in the Indenture, the Issuer hereby represents, warrants, and covenants to the Trust, the Trust Collateral Agent and the Indenture Trustee as follows on the Closing Date and on each Distribution Date on which the Trust purchases Loans, in each case only with respect to the Collateral pledged to the Indenture Trustee on the Closing Date or the relevant Distribution Date:

**General**

1. The Indenture creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Collateral in favor of the Indenture Trustee, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from and assignees of the Trust.
2. Each Contract constitutes “tangible chattel paper,” “electronic chattel paper” or a “payment intangible,” within the meaning of UCC Section 9-102. Each Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible,” “tangible chattel paper” or “electronic chattel paper,” within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. The Trust has taken or will take all necessary actions with respect to the Loans to perfect the security interest of the Indenture Trustee in the Loans and in the property securing the Loans.

**Creation**

1. The Trust owns and has good and marketable title to the Collateral, free and clear of any Lien, claim or encumbrance of any Person, excepting only liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

### **Perfection**

1. The Trust has caused or will have caused, within ten (10) days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Collateral granted to the Indenture Trustee under the Indenture.
2. With respect to Collateral that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). With respect to Collateral that constitutes electronic chattel paper, the Trust Collateral Agent has received a written acknowledgment from the Servicer that it maintains control over such electronic chattel paper, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). All financing statements filed or to be filed against the Trust in favor of the Indenture Trustee in connection with this Indenture describing the Trust Property contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party."

### **Priority**

1. Other than the security interest granted to the Indenture Trustee pursuant to the Indenture, the Trust has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Trust Property. None of the Originator, the Servicer nor the Seller has authorized the filing of, or is aware of any financing statements against either the Seller, the Originator or the Trust that includes a description of the Collateral and proceeds related thereto other than any financing statement: (i) relating to the sale of the Originator Property by the Originator to the Seller under the Sale and Contribution Agreement; (ii) relating to the security interest granted to the Trust under the Sale and Servicing Agreement; (iii) relating to the security interest granted to the Indenture Trustee under the Indenture; or (iv) that has been terminated or amended to reflect a release of the Collateral.
2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.
3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Originator, the Servicer, the Seller, the Trust, a collection agent or the Indenture Trustee.

### **Survival of Perfection Representations**

1. Notwithstanding any other provision of the Agreement, the Sale and Contribution Agreement, the Indenture or any other Basic Document, the Perfection Representations, Warranties and Covenants contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.

**No Waiver**

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current ratings of the Notes, waive any of the Perfection Representations, Warranties or Covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the Perfection Representations, Warranties or Covenants, and shall not, without obtaining a confirmation of the then-current rating of the Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the Perfection Representations, Warranties or Covenants.

## AMENDMENT NO. 1 TO SALE AND SERVICING AGREEMENT

This AMENDMENT NO. 1 TO SALE AND SERVICING AGREEMENT, dated as of December 20, 2013 (this “Amendment”), is among Credit Acceptance Corporation, a Michigan corporation (“CAC”), as Servicer and in its individual capacity, Credit Acceptance Auto Loan Trust 2011-1, a Delaware statutory trust (the “Issuer”), Credit Acceptance Funding LLC 2011-1, a Delaware limited liability company (“Funding”), and Wells Fargo Bank, National Association (“Wells Fargo”), as Trust Collateral Agent, Indenture Trustee and Backup Servicer.

### BACKGROUND

WHEREAS, the Issuer, CAC, Funding and Wells Fargo have entered into the Sale and Servicing Agreement dated as of October 6, 2011 (as may be further amended, supplemented or otherwise modified and in effect from time to time, the “Agreement”);

WHEREAS, pursuant to Section 11.01 of the Agreement, the Agreement may be amended by the Servicer, Funding and the Trust Collateral Agent (at the written direction of the Issuer) with the consent of the Majority Noteholders for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Agreement, or of modifying in any manner the rights of the Holders of the Notes;

WHEREAS, the Servicer has caused to be delivered to the Rating Agencies written notice of the substance of the proposed amendment, the parties hereto have obtained the consent of the Majority Noteholder with respect to amending the Agreement as set forth in this Amendment, and the Issuer has directed the Trust Collateral Agent to enter into this Amendment pursuant to the Issuer Order dated December 20, 2013; and

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the provisions, covenants and the mutual agreements herein contained, the parties hereto agree as follows:

### AGREEMENT

SECTION 1. Definitions. Unless otherwise defined herein, terms that are capitalized and used throughout this Amendment are defined in Section 1.01 of the Agreement, as applicable.

SECTION 2. Amendments.

2.1 Each of the following defined terms appearing in Section 1.01 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

---



“Contract File” means with respect to each Contract, the physical and/or electronic files in which Credit Acceptance maintains the fully executed original counterpart or “authoritative copy” (in each case, for UCC purposes) of the Contract (to the extent required in accordance with Section 3.03 of this Agreement), either a standard assurance in the form commonly used in the industry relating to the provision of a certificate of title or other evidence of lien, the original or electronic instruments modifying the terms and conditions of such Contract and the original or electronic endorsements or assignments of such Contract.

“Outstanding Balance” means (i) with respect to any Contract on any date of determination, all amounts owing under such Contract (whether considered principal or as finance charges), on such date of determination which shall be deemed to have been created at the end of the day on the date of processing of such Contract and which shall be greater than or equal to zero; (ii) with respect to any Dealer Loan on any date of determination, the aggregate amount advanced under such Dealer Loan plus revenue accrued with respect to such Dealer Loan in accordance with Credit Acceptance’s accounting policies set forth in its periodic reports filed with the Securities and Exchange Commission, recoveries on Dealer Loans that have been written off and the payment of monies to a Dealer under the related Dealer Agreement, less Collections on the related Dealer Loan Contracts securing such Dealer Loan applied through such date of determination to the reduction of the balance of such Dealer Loan and write-offs of such Dealer Loan; (iii) with respect to any Purchased Loan (other than any Purchased Loan arising from a Dealer Collections Purchase Agreement) on any date of determination, the aggregate amount advanced under such Purchased Loan plus revenue accrued with respect to such Purchased Loan in accordance with Credit Acceptance’s accounting policies set forth in its periodic reports filed with the Securities and Exchange Commission and recoveries on Purchased Loans that have been written off, less Collections on the related Purchased Loan Contract applied through the date of determination to the reduction of the balance of such Purchased Loan; and (iv) with respect to any Purchased Loan arising from a Dealer Collections Purchase Agreement on any date of determination, (A) such Purchased Loan’s pro rata share of the sum of (x) the Outstanding Balance of the related Dealer Loan as of the date of the related Dealer Collections Purchase and (y) the Dealer Collections Purchase Price with respect to such Dealer Loan (such pro rata share determined based on such Purchased Loan’s pro rata share of the forecasted Collections on the pool of Purchased Loan Contracts which previously constituted Dealer Loan Contracts securing such Dealer Loan), plus following the acquisition of such Purchased Loan (B) revenue accrued with respect to such Purchased Loan in accordance with Credit Acceptance’s accounting policies set forth in its periodic reports filed with the Securities and Exchange Commission and recoveries on such Purchased Loan if it has been written off, less (C) Collections on the related Purchased Loan Contract applied through the date of determination to the reduction of the balance of such Purchased Loan, and less (D) any write-offs of such Purchased Loan.

“Records” means the Dealer Agreements, Purchase Agreements, Contracts, Contract Files and all other documents, books, records and other information (including computer programs, tapes, discs, punch cards, data processing software and related contracts, records and other media for storage of information) in each case whether tangible or electronic that are maintained with respect to the Loans and the Contracts and the related Obligors.

2.2 The following new defined terms are hereby added to Section 1.01 of the Agreement in the appropriate alphabetical order:

“Dealer Collections Purchase” means, the assignment of all Dealer rights, interests and entitlements in and to one or more pools of Dealer Loan Contracts securing the related Dealer Loans, including such Dealer’s ownership interest in such Dealer Loan Contracts and rights to receive the related Dealer Collections pursuant to the terms of a Dealer Collections Purchase Agreement.

“Dealer Collections Purchase Agreement” means any agreement, which Credit Acceptance enters from time to time during its ordinary course of business in managing its serviced portfolio of dealer loans, with a Dealer pursuant to which a Dealer Collections Purchase is made.

“Dealer Collections Purchase Price” means the cash payment made to a Dealer based on the present value of all future forecasted Collections on the related Dealer Loan Contracts that would constitute Dealer Collections.

2.3 The defined term “Eligible Dealer Loan” appearing in Section 1.01 of the Agreement is amended by (i) deleting the word “and” from the end of clause (q) thereof, (ii) replacing the period “.” at the end of clause (r) thereof with “; and” and (iii) adding the following new clause (s):

(s) if any Dealer Loan Contract securing such Dealer Loan is an electronic contract, such electronic contract constitutes “electronic chattel paper” and the only “authoritative copy” (as such terms are used in Section 9-105 of the UCC) of such electronic contract.

2.4 Clauses (a), (m) and (s) of the defined term “Eligible Purchased Loan” appearing in Section 1.01 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(a) which has been originated in the United States by a Dealer for the retail sale of a Financed Vehicle in the ordinary course of such Dealer’s business and is evidenced by a fully and properly executed Purchased Loan Contract of which there is only one original executed copy (or, if such Purchased Loan Contract is an electronic contract, there is only a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of such electronic contract);

(m) which (i) constitutes either “tangible chattel paper,” “electronic chattel paper” or a “payment intangible,” as such terms are defined in the UCC (ii) if “tangible chattel paper,” shall be maintained in its original “tangible” form, unless the Indenture Trustee has consented in writing to such chattel paper being maintained in another form or medium, and (iii) if “electronic chattel paper,” constitutes the only “authoritative copy” (as such term is used in Section 9-105 of the UCC);

(s) which was purchased by the Originator from a Dealer pursuant to a Purchase Agreement or, in the case of any Purchased Loan Contract that previously secured a Dealer Loan, another agreement with the applicable Dealer;

2.5 Section 2.02(a) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

On each Distribution Date during the Revolving Period, the Issuer shall receive Available Funds after the payment of all amounts due and payable in Section 5.08(a)(i) through (vi) and shall be required to use those amounts and any amounts on deposit in the Principal Collection Account to purchase additional Loans and all collateral related thereto from the Seller until the Collateral Amount equals the Minimum Collateral Amount. If on any Distribution Date during the Revolving Period there are not sufficient Eligible Loans for purchase by the Issuer to cause the Collateral Amount to equal the Minimum Collateral Amount, an amount necessary to cause the Adjusted Collateral Amount to equal the Minimum Collateral Amount will remain on deposit in the Principal Collection Account. Subject to the foregoing, and in consideration of the payment of the Subsequent Seller Property Purchase Price, the Seller agrees to convey, assign, sell and transfer without recourse, except as set forth in this Agreement, to the Trust all of its right, title and interest in and to: (i) the Loans (including all rights of the Seller under any Dealer Collections Purchase Agreement, and any Purchased Loans and Related Security arising thereunder) listed on the schedule delivered on each Distribution Date during the Revolving Period to the Servicer, the Backup Servicer and the Trust Collateral Agent that have not been previously sold to the Trust and/or the date of a Dealer Collections Purchase; (ii) rights under the Dealer Agreements and Purchase Agreements related thereto (other than the Excluded Dealer Agreement Rights), including Credit Acceptance’s right to service the Loans and the related Contracts and receive the related servicing fee and receive reimbursement of certain recovery and repossession expenses, in accordance with the terms of the Dealer Agreements and Purchase Agreements; (iii) Collections (other than Dealer Collections) after the applicable Cut-off Date; (iv) an ownership interest in and/or control over each Contract evidencing a Purchased Loan and a security interest in each Contract securing each Dealer Loan; (v) all records and documents relating to the Loans and the Contracts; (vi) all security interests purporting to secure payment of the Loans; (vii) all security interests purporting to secure payment of each Contract (including a security interest in each Financed Vehicle); (viii) all guarantees, insurance (including insurance insuring the priority or perfection of any Contract) or other agreements or arrangements securing the Contracts; (ix) the Seller’s rights under the Sale and Contribution Agreement; and (x) all Proceeds of the foregoing (the “Subsequent Seller Property”).

On each Distribution Date during the Revolving Period on which the Issuer purchases Subsequent Seller Property, the Issuer shall deliver to the Servicer, the Backup Servicer and the Trust Collateral Agent an updated Schedule A listing all the Loans, Contracts and the related Dealer Agreements and Purchase Agreements that are included in the Trust Property as of such Distribution Date after giving effect to such purchase of Subsequent Seller Property, including the additional Loans purchased on such Distribution Date, and the Dealer Agreements, Purchase Agreements and Contracts related thereto. Such updated Schedule A shall be deemed to replace any existing Schedule A.

Notwithstanding the foregoing, the term “Subsequent Seller Property” with respect to any Dealer Loan includes (i) all rights arising after the end of the Revolving Period under such Dealer Loan, including a security interest in each Dealer Loan Contract securing such Dealer Loan, which rights are attributable to advances made under such Dealer Loan as the result of additional Dealer Loan Contracts being added after the last day of the last full Collection Period during the Revolving Period to the identifiable group of Contracts to which such Loan relates and (ii) all rights arising under any Dealer Collections Purchase Agreement, including any Purchased Loans and Related Security arising thereunder, that have been conveyed from Credit Acceptance to the Seller under the Sale and Contribution Agreement and further conveyed from the Seller to the Issuer pursuant to Section 4.18 herein.

2.6 Section 2.03(d)(iii) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(iii) The possession and/or control by the Trust, or the Servicer as the Trust’s agent, of the Dealer Agreements, Purchase Agreements, Loans and Contract Files and any other property which constitute instruments, money, negotiable documents or chattel paper, shall be deemed to be “possession and/or control by the secured party” or possession and/or control by the purchaser or a person designated by such purchaser, for purposes of perfecting the security interest pursuant to the UCC; and

2.7 Clause (x) of Section 3.01 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(x) Security Interest. The Seller has granted a security interest (as defined in the UCC) to the Trust Collateral Agent, as agent for the Noteholders, in the Seller Property, which is enforceable in accordance with Applicable Law upon the Closing Date. Upon the filing of UCC-1 financing statements naming the Trust Collateral Agent as secured party and the Seller as debtor, or upon the Trust Collateral Agent obtaining possession or control, in the case of that portion of the Seller Property which constitutes tangible or electronic chattel paper or instruments, the Trust Collateral Agent, as agent for the secured parties under the Indenture, shall have a first priority perfected security interest in the Seller Property. All filings (including such UCC filings) as are necessary in any jurisdiction to perfect the interest of the Trust Collateral Agent, as agent for the Trust, in the Seller Property have been made.

2.8 Clauses (a), (b), (d), (f)(ii), (g) and (h)(i) of Section 3.03 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(a) The Trust hereby revocably appoints Credit Acceptance as custodian of the Dealer Agreements, the Purchase Agreements, the Contract Files and the Certificates of Title related to the Financed Vehicles. Credit Acceptance hereby accepts such appointment and agrees to hold and/or control, or appoint an agent to hold and/or control, each Dealer Agreement, Purchase Agreement, Contract File and, in states where it is required by applicable law, the Certificate of Title related to each Financed Vehicle under this Agreement as custodian for the Trust and the Trust Collateral Agent.

(b) (i) On or prior to the Closing Date and each Distribution Date during the Revolving Period, the Servicer shall provide an Acknowledgment substantially in the form of Exhibit E hereto dated as of the Closing Date or such Distribution Date, as applicable, to the Owner Trustee and the Trust Collateral Agent confirming that the Servicer has received and is in possession of the original copy, or has control over the "authoritative copy" (as such term is used in Section 9-105 of the UCC), of each Dealer Agreement listed on Schedule A hereto (or such amendment or supplement to Schedule A relating to each Distribution Date, as applicable).

(ii) If, on the 120th day after the Closing Date or the 120th day after each Distribution Date during the Revolving Period, the Servicer has not verified the presence of the original or "authoritative copy" (as such term is used in Section 9-105 of the UCC) of the Contract related to the Contracts listed on Schedule A hereto (or such amendment or supplement to Schedule A relating to each Distribution Date during the Revolving Period, as applicable) with respect to at least 98.0% of the number of Contract Files required to be reviewed by each such 120th day in accordance with Section 3.03(d) hereof, the Servicer shall provide notice to the Owner Trustee and the Trust Collateral Agent as of such date indicating the number of Incomplete Contracts as of such date.

(iii) On or prior to the 180th day after the Closing Date and the 180th day after each Distribution Date during the Revolving Period, the Servicer shall provide an Acknowledgment substantially in the form of Exhibit E hereto, dated as of such date, to the Owner Trustee and the Trust Collateral Agent confirming that the Servicer has verified the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) contract related to at least 98.0% of the Contract Files required to be reviewed by such date in accordance with Section 3.03(d) hereof.

(d) The Servicer shall within: (i) one hundred twenty (120) days after the Closing Date and one hundred twenty (120) days after each Distribution Date during the Revolving Period, review at least 75.0% of the Contract Files related to the Loans transferred to the Trust on the Closing Date or such Distribution Date, as applicable, to verify the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) of the Contract; and (ii) 180 days after the Closing Date and one hundred eighty (180) days after each Distribution Date during the Revolving Period, review the remainder of the Contract Files related to the Loans transferred to the Trust on the Closing Date or such Distribution Date, as applicable, to verify the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) of the Contract therein; provided, however, that in the case of each of (i) and (ii) above, the Certificate of Title with respect to each Contract need not be verified. If the number of Incomplete Contracts (or the number of originals of Contracts that have not otherwise been delivered to the Servicer) exceeds the number of Permitted Incomplete Contracts as of any such 120th or 180th day, as applicable, the Seller shall make the payment required by Section 3.02(b) only with respect to the excess number of Incomplete Contracts, in an amount equal to the related Purchase Amount, in accordance with the provisions of Section 3.02(b) hereof.

(f)(ii) carry out such policies and procedures in accordance with its customary actions with respect to the handling and custody of the Dealer Agreements, the Purchase Agreements, Contract Files and Records so that the integrity and physical possession of, or control over, the Dealer Agreements, Purchase Agreements, Contract Files and Records will be maintained.

(g) The Servicer shall have the obligation (i) to physically segregate the Contract Files (to the extent held in physical form) from the other custodial files it is holding for its own account or on behalf of any other Person (ii) to physically mark the Contract folders (to the extent held in physical form) to demonstrate the transfer of Contract Files and the Trust Collateral Agent's security interest hereunder, and (iii) mark its computer records indicating the transfer of any Contract Files relating to Contracts constituting electronic chattel paper and the Trust Collateral Agent's security interest hereunder.

(h)(i) If a Servicer Default occurs, the Trust Collateral Agent shall have the rights set forth in Section 8.01 hereof, including, at the request of the Indenture Trustee, at the direction of the Majority Noteholders, the right to terminate Credit Acceptance as the custodian hereunder and the Trust Collateral Agent shall have the right to appoint a successor custodian hereunder who shall assume all the rights and obligations of the "custodian" hereunder. On the effective date of the termination of Credit Acceptance as Servicer, Credit Acceptance shall be released of all of its obligations as custodian arising on or after such date. Copies of the Dealer Agreements and the Purchase Agreements, and original or "authoritative copies" (as such term is used in Section 9-105 of the UCC) of the Contract Files and Records shall be delivered by Credit Acceptance to the successor custodian, on or before the date which is two (2) Business Days prior to such date.

2.9 Clause (v) of Section 4.06(a) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(v) Preservation of Security Interest. The Servicer will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the security interest of the Indenture Trustee for the benefit of the Noteholders in, to and under the Trust Property. In its capacity as custodian, the Servicer will maintain possession of, or control over, the Dealer Agreements, Purchase Agreements and the Contract Files and Records, as custodian for the Trust and the Trust Collateral Agent, as set forth in Section 3.03(a).

2.10 The following new Section 4.18 is hereby added to the Agreement and shall read as follows:

SECTION 4.18 Dealer Collections Purchase.

(a) On the date of any Dealer Collections Purchase, Credit Acceptance shall deliver to the Indenture Trustee a list identifying (A) all Dealer Loans satisfied as a result of such Dealer Collections Purchase, (B) each Dealer Loan Contract that previously secured such Dealer Loans, and (C) the Purchased Loans and Purchased Loan Contracts evidencing such Purchased Loans resulting from such Dealer Collections Purchase, in each case of clauses (A), (B) and (C), identified by account number, dealer number and pool number, as applicable. Such list shall be deemed to supplement Exhibit A to the Sale and Contribution Agreement and Schedule V hereof as of the date of such Dealer Collections Purchase.

(b) On each date of a Dealer Collections Purchase, following payment in full of the Dealer Collections Purchase Price by Credit Acceptance to the applicable Dealer, (i) the related Dealer Loans (including the rights to the related Dealer Loan Collections thereunder) shall be deemed to be satisfied; (ii) the Dealer Loan Contracts that previously secured such Dealer Loans will be automatically assigned by Credit Acceptance to the Seller and by the Seller to the Issuer as Purchased Loan Contracts and the advances by Credit Acceptance thereon will be deemed Purchased Loans; (iii) the Issuer agrees to accept the assignment of such Purchased Loans and Purchased Loan Contracts by the Seller in satisfaction of such Dealer Loans; (iv) the Dealer Collections Purchase Agreement will be deemed a Purchase Agreement with respect to such Purchased Loans and (v) the Issuer will retain as Available Funds all Collections on such Purchased Loan Contracts that previously secured such Dealer Loans.

(c) The consideration for the conveyance from the Seller to the Issuer of the Purchased Loan Contracts and Purchased Loans arising under the related Dealer Collections Purchase Agreement and other related Subsequent Seller Property will be (i) the satisfaction of the Dealer Loans previously secured by such Purchased Loan Contracts as provided herein, plus (ii) an increase in the value of the Seller's equity interest in the Issuer (which constitutes and will constitute all of the equity interests issued by the Issuer) that results from such conveyance.

2.11 Section 11.02(e) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(e) The Servicer shall maintain its computer systems so that, from and after the time of sale under this Agreement of the Loans and the related Contracts to the Trust, the Servicer's master computer records (including any back-up archives) that refer to a Loan or Contract shall indicate clearly (including by means of tagging) the interest of the Trust in such Loan or Contract and that such Loan or Contract is owned by the Trust. The Servicer shall at all times maintain "control" within the meaning of the UCC over the Contracts constituting electronic chattel paper. Indication of the Trust's ownership of a Loan or Contract shall be deleted from or modified on the Servicer's computer systems when, and only when, the Loan or Contract shall have been paid in full or repurchased;



2.12 Section 11.02 of the Agreement is hereby amended by adding the following new clause (k) therein:

(k) Prior to the first date on which any Contracts constituting electronic chattel paper are transferred to the Issuer, the following conditions must be satisfied:

(1) with respect to each Rating Agency, either (a) written confirmation to the Indenture Trustee by such Rating Agency that transfer of electronic chattel paper from Credit Acceptance to the Seller and from the Seller to the Issuer will not itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes or (b) such Rating Agency shall have been given notice of such transfer at least ten (10) days prior to the occurrence of the first such transfer and such Rating Agency shall not have issued any written notice to the Indenture Trustee that the occurrence of such transfer will itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes; and

(2) if and to the extent requested by any Rating Agency, such Rating Agency shall have received an Opinion of Counsel (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specified procedures are followed by Credit Acceptance, the security interest (as defined in the UCC) of Credit Acceptance in the electronic chattel paper will be perfected by “control”.

Thereafter, satisfaction of the conditions set forth in this clause (k)(1) and (2) shall not be required for any subsequent transfers of Contracts constituting electronic chattel paper to the Issuer.

2.13 Schedule C to the Agreement is hereby amended in its entirety and as so amended shall read as Schedule C appearing in Annex 1 hereto.

SECTION 3. Effect of Amendment. Except as expressly amended and modified by this Amendment, all provisions of the Agreement shall remain in full force and effect and each reference to the Agreement and words of similar import in the Agreement, as amended hereby, shall be a reference to the Agreement as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement other than as set forth herein.

SECTION 4. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile or other electronic transmission shall be as effective as delivery of a manually executed counterpart.

SECTION 5. Governing Law. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Execution, Delivery and Validity. Each party hereto represents and warrants to each other party hereto that this Amendment has been duly and validly executed and delivered by such party and constitutes its legal, valid and binding obligation, enforceable against such party in accordance with its terms.

SECTION 7. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 8. Miscellaneous. The Agreement, as supplemented and amended by this Amendment, is in all respects hereby adopted, ratified and confirmed.

*[Signatures begin on the following page]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CREDIT ACCEPTANCE FUNDING LLC 2011-1,  
as Seller

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Treasurer

CREDIT ACCEPTANCE CORPORATION,  
as Servicer and in its individual capacity

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Senior Vice President and Treasurer

CREDIT ACCEPTANCE AUTO LOAN  
TRUST 2011-1, as Issuer

By: U.S. Bank Trust National Association,  
not in its individual capacity but solely as  
Owner Trustee on behalf of the Trust

By: /s/ Annette Morgan

Name: Annette Morgan  
Title: Assistant Vice President

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trust Collateral Agent

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

S-3

Amendment No.1 to Sale and Servicing Agreement

---

**Perfection Representations, Warranties and Covenants**

In addition to the representations, warranties and covenants contained in the Agreement, the Seller hereby represents, warrants, and covenants to the Trust and the Indenture Trustee as follows on the Closing Date and on each Distribution Date on which the Trust purchases Loans, in each case only with respect to the Seller Property conveyed to the Trust on such Closing Date or the relevant Distribution Date:

**General**

1. The Agreement creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Seller Property in favor of the Trust, which security interest is prior to all other Liens, and is enforceable as such against creditors of and purchasers from and assignees of the Seller.
2. Each Contract constitutes “tangible chattel paper,” “electronic chattel paper” or a “payment intangible” within the meaning of UCC Section 9-102. Each Dealer Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible,” or “tangible chattel paper” within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. The Seller has taken or will take all necessary actions with respect to the Loans to perfect its security interest in the Loans and in the property securing the Loans.

**Creation**

1. The Seller owns and has good and marketable title to the Initial Seller Property or Subsequent Seller Property, as applicable, free and clear of any Lien, claim or encumbrance of any Person, excepting only liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

### **Perfection**

1. The Seller has caused or will have caused, within ten (10) days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the conveyance and sale of the Conveyed Property from the Originator to the Seller, the transfer and sale of the Seller Property from the Seller to the Issuer, and the security interest in the Collateral granted to the Indenture Trustee under the Indenture.
2. With respect to Seller Property that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). With respect to Seller Property that constitutes electronic chattel paper, the Trust Collateral Agent has received a written acknowledgment from the Servicer that it, maintains control over such “electronic chattel paper”, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). All financing statements filed or to be filed against the Seller in favor of the Issuer or its assignee in connection with this Agreement describing the Seller Property contain a statement to the following effect: “A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party.”

### **Priority**

1. Other than the security interest granted to the Issuer pursuant to this Agreement, the Seller has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Seller Property. None of the Originator, the Servicer nor the Seller has authorized the filing of, or is aware of any financing statements against either the Seller, the Originator or the Trust that includes a description of the Seller Property and proceeds related thereto other than any financing statement: (i) relating to the sale of Conveyed Property by the Originator to the Seller under the Sale and Contribution Agreement, (ii) relating to the security interest granted to the Trust hereunder, (iii) relating to the security interest granted to the Trust Collateral Agent under the Indenture; or (iv) that has been terminated or amended to reflect a release of the Seller Property.
2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.
3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Originator, the Servicer, the Seller, the Trust, a collection agent or the Trust Collateral Agent.

### **Survival of Perfection Representations**

1. Notwithstanding any other provision of the Agreement, the Sale and Contribution Agreement, the Indenture or any other Basic Document, the Perfection Representations, Warranties and Covenants contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.

### **No Waiver**

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current ratings of the Notes, waive any of the Perfection Representations, Warranties or Covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the Perfection Representations, Warranties or Covenants, and shall not, without obtaining a confirmation of the then-current ratings of the Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the Perfection Representations, Warranties or Covenants.



## AMENDMENT NO. 1 TO SALE AND CONTRIBUTION AGREEMENT

This AMENDMENT No. 1 TO SALE AND CONTRIBUTION AGREEMENT, dated as of December 20, 2013 (this "Amendment"), is among Credit Acceptance Corporation, a Michigan corporation ("CAC"), and Credit Acceptance Funding LLC 2011-1, a Delaware limited liability company ("Funding").

## BACKGROUND

WHEREAS, CAC and Funding have entered into the Sale and Contribution Agreement dated as of October 6, 2011 (as may be further amended, supplemented or otherwise modified and in effect from time to time, the "Agreement");

WHEREAS, pursuant to Section 8.1 of the Agreement, the Agreement may be amended by CAC and Funding with the written consent of the Trust Collateral Agent;

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the provisions, covenants and the mutual agreements herein contained, the parties hereto agree as follows:

## AGREEMENT

SECTION 1. Definitions. Capitalized terms defined or referenced in the Agreement and not otherwise defined or referenced herein are used herein as defined or referenced in the Agreement.

SECTION 2. Amendments.

2.1 The defined term "Subsequent Conveyed Property" appearing in Section 1.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

"Subsequent Conveyed Property" means, with respect to any Distribution Date and/or date of Dealer Collections Purchase, (i) the Loans added to Exhibit A hereto as of such date (including all rights of CAC under any Dealer Collections Purchase Agreement and any Purchased Loans and Related Security arising thereunder) and (ii) all Related Security with respect thereto.

2.2 Clauses (b), (c), (g) and (h) of Section 2.1 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(b) CAC hereby further agrees that on each Distribution Date during the Revolving Period on which it decides to transfer additional Loans to Funding and the date of each Dealer Collections Purchase, in consideration of the payment described in Article III with respect to such Distribution Date, CAC shall, and CAC does hereby agree to convey, assign, sell and transfer to Funding, without recourse, except as set forth in this Agreement, all of its right, title and interest in and to the Subsequent Conveyed Property with respect to such Distribution Date.

---

(c) CAC hereby further agrees that the above-described conveyances shall, without the need for any further action on the part of CAC or Funding, include (i) all rights arising after the end of the Revolving Period under any Dealer Loan included in the Initial Conveyed Property and Subsequent Conveyed Property, including, without limitation, a security interest in each Dealer Loan Contract securing such Dealer Loan, which rights are attributable to advances made under such Dealer Loan as the result of additional Dealer Loan Contracts being added after the last day of the last full Collection Period during the Revolving Period to the identifiable group of Contracts to which such Dealer Loan relates and (ii) all rights arising under any Dealer Collections Purchase Agreement, including any Purchased Loans and Related Security arising thereunder.

(g) It is the express intent of CAC and Funding that the conveyance of the Loans and other Conveyed Property by CAC to Funding pursuant to this Agreement be construed as an absolute sale and conveyance of all of CAC's right, title and interest in and to such Loans and other Conveyed Property to Funding and that CAC relinquishes control over and all rights, title and interest (legal or equitable) in any Loan or other Conveyed Property immediately upon the transfer of each such Conveyed Property under this Agreement; except that, for the avoidance of doubt, CAC may effect a Dealer Collections Purchase from time to time and will continue to service the Conveyed Property, in each case, in accordance with the terms of this Agreement and the Sale and Servicing Agreement. Further, it is not the intention of CAC and Funding that such conveyance be deemed a grant of a security interest in the Loans and other Conveyed Property by CAC to Funding in the nature of a consensual lien securing an obligation. However, notwithstanding the express intent of the parties, if and to the extent the transfer of any of the Loans or other Conveyed Property is for any purpose characterized as a collateral transfer for security or the transaction is characterized as a financing transaction, then (i) this Agreement also shall be deemed to be, and hereby is, a security agreement within the meaning of the UCC as enacted in the State of New York; and (ii) the conveyance by CAC provided for in this Agreement shall be deemed to be, and CAC hereby grants to Funding, a first priority, perfected security interest in, to and under and a lien on all of CAC's right, title and interest in, to and under the Conveyed Property, to secure the obligation of CAC to pay to Funding an amount equal to the Issuer Secured Obligations. CAC and Funding shall, to the extent consistent with this Agreement, take such actions as may be necessary to ensure that, if this Agreement were deemed to create such a security interest in the Loans and other Conveyed Property, such security interest would be a perfected security interest in favor of Funding under applicable law and will be maintained as such throughout the term of this Agreement.

(h) In connection with such conveyance, CAC agrees to deliver to Funding on the Closing Date and each Distribution Date on which Subsequent Conveyed Property are sold by CAC to Funding, as applicable, one or more computer files or microfiche lists containing true and complete lists of all Dealer Agreements, Purchase Agreements, Loans conveyed to Funding on the Closing Date, and all Contracts securing or evidencing all such Loans, identified by account number, dealer number and, for Contracts securing Dealer Loans, pool number. Such file or list shall be marked as Exhibit A to this Agreement, shall be delivered to Funding as confidential and proprietary, and is hereby incorporated into and made a part of this Agreement. Such Exhibit A shall be supplemented and updated on each Distribution Date in the Revolving Period on which additional Subsequent Conveyed Property is conveyed by CAC to Funding so that Exhibit A will describe all existing Loans, on an aggregate basis, which have been conveyed by CAC to Funding hereunder on and prior to said Distribution Date, and the related Dealer Agreements, the related Purchase Agreements and all Contracts securing or evidencing all such Loans (other than those that have been released from Collateral and those Dealer Loans that have been deemed to be satisfied pursuant to Section 4.18 of the Sale and Servicing Agreement). Such updated Exhibit A shall be deemed to replace any existing Exhibit A as of such Distribution Date. Furthermore, CAC agrees to supplement and update Exhibit A by delivering to Funding a copy of the list delivered pursuant to Section 4.18 of the Sale and Servicing Agreement, identifying the Purchased Loan Contracts and related Subsequent Conveyed Property identified therein arising from a Dealer Collections Purchase.

2.3 The following new Section 3.3 is hereby added to the Agreement:

SECTION 3.3 Dealer Collections Purchases. During its ordinary course of business in managing its serviced portfolio of dealer loans, CAC may from time to time agree to enter into an agreement (a "Dealer Collections Purchase Agreement") with a Dealer, pursuant to which the Dealer agrees to sell and assign to CAC all of its rights, interests and entitlement in and to one or more Pools of Dealer Loan Contracts securing the related Dealer Loans, including such Dealer's ownership interest in such Dealer Loan Contracts and rights to receive the related Dealer Collections (a "Dealer Collections Purchase"). On the date of each Dealer Collections Purchase, CAC will pay the applicable Dealer under a Dealer Collections Purchase Agreement the applicable purchase price specified therein (the "Dealer Collections Purchase Price"). Upon such payment, the related Dealer Loans (including the rights to the related Dealer Loan Collections thereunder) shall be deemed to be satisfied and pursuant to Section 2.1(b) of this Agreement the Dealer Loan Contracts previously securing such Dealer Loans shall be automatically assigned by CAC to Funding as Purchased Loan Contracts and the loans thereunder shall be deemed Purchased Loans. Funding agrees to accept the assignment of the Purchased Loans and Purchased Loan Contracts arising from the satisfaction of a Dealer Loan resulting from a Dealer Collections Purchase by CAC in satisfaction of such Dealer Loan secured by the related Dealer Loan Contracts. The consideration for the conveyance from CAC to Funding of the Purchased Loan Contracts and Purchased Loans arising under the related Dealer Collections Purchase Agreement and other related Subsequent Conveyed Property will be (i) the satisfaction of the Dealer Loans previously secured by such Purchased Loan Contracts as provided herein, plus (ii) an increase in the value of CAC's membership interest in Funding (which constitutes and will constitute all of the equity interests issued by Funding) that results from such conveyance.

2.4 Section 5.1(e) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(e) Preservation of Security Interest. CAC will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and perfect the security interest of Funding in, to and under the Conveyed Property. CAC will maintain possession of, or control over, the Dealer Agreements, Purchase Agreements and the Contract Files and Records, as custodian for the Trust and the Trust Collateral Agent, as set forth in Section 3.03(a) of the Sale and Servicing Agreement. CAC, as Servicer, will comply with its covenants under Section 4.06(a)(v) of the Sale and Servicing Agreement.

2.5 Clause (c) of Section 5.2 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(c) No Instruments. CAC shall take no action to cause any Loan to be evidenced by any instrument (as defined in the UCC as in effect in the relevant jurisdictions), except for instruments obtained with respect to defaulted Loans that are in the possession, or under the control, of the Servicer in its capacity as custodian for the Trust and the Trust Collateral Agent.

2.6 Section 5.2 of the Agreement is hereby amended by adding the following new clause (i) therein:

(i) Electronic Chattel Paper. Prior to the first date on which any Contracts constituting electronic chattel paper are transferred to Funding, the following conditions must be satisfied:

(A) with respect to each Rating Agency, either (a) written confirmation to the Indenture Trustee by such Rating Agency that transfer of electronic chattel paper from CAC to the Seller and from the Seller to the Issuer will not itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes or (b) such Rating Agency shall have been given notice of such transfer at least ten (10) days prior to the occurrence of the first such transfer and such Rating Agency shall not have issued any written notice to the Indenture Trustee that the occurrence of such transfer will itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes; and

(B) if and to the extent requested by any Rating Agency, such Rating Agency shall have received an Opinion of Counsel (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specified procedures are followed by CAC, the security interest (as defined in the UCC) of CAC in the electronic chattel paper will be perfected by "control" within the meaning of the UCC.

Thereafter, satisfaction of the conditions set forth in this clause (i)(A) and (B) shall not be required for any subsequent transfers of Contracts constituting electronic chattel paper to Funding.

2.7 Clause (xii) of Section 5.3(a) of the Agreement is hereby amended in its entirety and as so amended shall read as follows::

(xii) the failure of a Contract File to contain the relevant original or "authoritative copy" of the Contract (other than pursuant to the provisos in Section 4.1(g) or Section 5.2(a)).

2.8 Exhibit B to the Agreement is hereby amended in its entirety and as so amended shall read as Exhibit B appearing in Annex 1 hereto.

SECTION 3. Effect of Amendment. Except as expressly amended and modified by this Amendment, all provisions of the Agreement shall remain in full force and effect and each reference to the Agreement and words of similar import in the Agreement, as amended hereby, shall be a reference to the Agreement as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement other than as set forth herein.

SECTION 4. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile or other electronic transmission shall be as effective as delivery of a manually executed counterpart.

SECTION 5. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Execution, Delivery and Validity. Each party hereto represents and warrants to each other party hereto that this Amendment has been duly and validly executed and delivered by such party and constitutes its legal, valid and binding obligation, enforceable against such party in accordance with its terms.

SECTION 7. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 8. Miscellaneous. The Agreement, as supplemented and amended by this Amendment, is in all respects hereby adopted, ratified and confirmed.

*[Signatures begin on the following page]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Senior Vice President and  
Treasurer

CREDIT ACCEPTANCE FUNDING LLC 2011-1

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Treasurer

Consented and Acknowledged:

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Trust Collateral Agent

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

S-2

Amendment No. 1 to Sale and Contribution Agreement

---



**Perfection Representations, Warranties And Covenants**

In addition to the representations, warranties and covenants contained in the Agreement, CAC hereby represents, warrants, and covenants to Funding as follows on the Closing Date and on each Distribution Date on which Funding purchases Loans, in each case only with respect to the Conveyed Property conveyed to Funding on such Closing Date or the relevant Distribution Date:

**General**

1. This Agreement creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Conveyed Property in favor of Funding, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from and assignees of CAC.
2. Each Contract constitutes “tangible chattel paper”, “electronic chattel paper,” or a “payment intangible”, within the meaning of UCC Section 9-102. Each Dealer Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible” or “tangible chattel paper” within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. CAC has taken or will take all necessary actions with respect to the Loans to perfect Funding’s security interest in the Loans and in the property securing the Loans.

**Creation**

1. CAC owns and has good and marketable title to the Initial Conveyed Property or Subsequent Conveyed Property, as applicable, free and clear of any Lien, claim or encumbrance of any Person, excepting only (i) liens that will be terminated or amended on the Closing Date or each Distribution Date during the Revolving Period, as applicable, to reflect a release of the Initial Conveyed Property or Subsequent Conveyed Property, as applicable, and (ii) liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

### **Perfection**

1. CAC has caused or will have caused, within ten days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the contribution and sale of the Conveyed Property from the Originator to Funding, the transfer and sale of the Seller Property from the Seller to the Issuer, and the security interest in the Collateral granted to the Indenture Trustee under the Indenture.

2. With respect to Seller Property that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s).

With respect to Seller Property that constitutes electronic chattel paper, the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer that it, maintains control over such electronic chattel paper, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller and the Trust.

All financing statements filed or to be filed against CAC in favor of Funding in connection with this Sale and Contribution Agreement describing the Conveyed Property contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party."

### **Priority**

1. None of CAC, the Servicer nor Funding has authorized the filing of, or is aware of any financing statements against either Funding, CAC or the Trust that includes a description of the Conveyed Property and proceeds related thereto other than any financing statement: (i) relating to the transfer of Conveyed Property by the Originator to the Seller under the Sale and Contribution Agreement, (ii) relating to the transfer to the Trust under the Sale and Servicing Agreement, (iii) relating to the security interest granted to the Indenture Trustee under the Indenture; or (iv) that will be terminated or amended to reflect a release of the Conveyed Property. Other than the security interest granted to Funding pursuant to this Sale and Contribution Agreement, CAC has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Conveyed Property.

2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.

3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than CAC, the Servicer, Funding, the Trust, a collection agent or the Trust Collateral Agent.

#### **Survival of Perfection Representations**

1. Notwithstanding any other provision of this Agreement, the Sale and Servicing Agreement, the Indenture or any other Basic Document, the perfection representations, warranties and covenants contained in this Exhibit shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.

#### **No Waiver**

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current rating of the Class A and Class B Notes, waive any of the perfection representations, warranties or covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the perfection representations, warranties or covenants, and shall not, without obtaining a confirmation of the then-current rating of the Class A and Class B Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the perfection representations, warranties or covenants.

## SUPPLEMENTAL INDENTURE NO. 1

SUPPLEMENTAL INDENTURE NO. 1, dated as of December 20, 2013 (this “Supplemental Indenture”) between Credit Acceptance Auto Loan Trust 2012-1, a Delaware statutory trust (the “Issuer”), and Wells Fargo Bank, National Association (“Wells Fargo”), as Trust Collateral Agent and Indenture Trustee, under the Indenture referred to below.

## BACKGROUND

WHEREAS, the Issuer and Wells Fargo have entered into an indenture dated as of March 29, 2012 (as may be further amended, supplemented or otherwise modified and in effect from time to time, the “Indenture”);

WHEREAS, pursuant to Section 9.2 of the Indenture, the Issuer and the Indenture Trustee (when authorized by an Issuer Order), with the consent of the Majority Noteholders and prior notice to the Rating Agencies, are permitted to enter into an indenture or supplemental indentures for the purpose of modifying in any manner the rights of the Holders of the Notes under the Indenture;

WHEREAS, the Issuer now wishes to amend the Indenture as set forth herein and has, pursuant to an Issuer Order dated December 20, 2013, requested the Indenture Trustee to join with it in the execution and delivery of this Supplemental Indenture;

WHEREAS, the Servicer has caused to be delivered to the Rating Agencies notice of this Supplemental Indenture, and the Issuer and the Indenture Trustee have obtained the consent of the Majority Noteholders to modify the Indenture as set forth in this Supplemental Indenture;

NOW THEREFORE, the Issuer and the Indenture Trustee hereby agree as follows:

## AGREEMENT

SECTION 1. Incorporation by Reference. Capitalized terms defined or referenced in the Indenture and not otherwise defined or referenced herein are used herein as defined or referenced in the Indenture.

SECTION 2. Amendments.

2.1 Section 5.5 of the Indenture is hereby amended in its entirety and as so amended shall read as follows:

SECTION 5.5. Optional Preservation of the Trust Property.

If the Notes have been declared to be due and payable under Section 5.2 following an Indenture Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee shall maintain possession of and/or control over the Trust Property which is in its possession or over which it has control and direct the Trust Collateral Agent to maintain possession of and/or control over the Trust Property which is in the possession of or controlled by the Trust Collateral Agent unless the Indenture Trustee is directed in writing by the Majority Noteholders to sell or otherwise liquidate the Trust Property and the conditions set forth in Section 5.4(a)(iv) have been satisfied. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Majority Noteholders, shall take such desire into account when determining whether or not to direct the Indenture Trustee or the Trust Collateral Agent, as applicable, to maintain possession of and/or control over the Trust Property. In determining whether to direct the Indenture Trustee or the Trust Collateral Agent, as applicable, to obtain possession of and/or control over the Trust Property, the Majority Noteholders may, but need not maintain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Trust Property for such purpose.

---

2.2 Schedule A to the Indenture is hereby amended in its entirety and as so amended shall read as Schedule A appearing in Annex 1 hereto.

SECTION 3. Indenture Otherwise Unchanged. Except as herein provided, the Indenture shall remain unchanged and in full force and effect, and each reference to the Indenture and words of similar import in the Indenture, as amended hereby, shall be a reference to the Indenture as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Supplemental Indenture shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Indenture other than as set forth herein.

SECTION 4. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 5. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Miscellaneous. The Indenture, as supplemented and amended by this Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

SECTION 7. Execution, Delivery and Validity. Each party hereto represents and warrants to each other party hereto that this Supplemental Indenture has been duly and validly executed and delivered by such party and constitutes its legal, valid and binding obligation, enforceable against such party in accordance with its terms.

SECTION 8. Binding Effect. This Supplemental Indenture shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplemental Indenture to be duly executed by their respective officers, thereunto duly authorized, all as of the day and year first above written.

**CREDIT ACCEPTANCE AUTO LOAN  
TRUST 2012-1**, as Issuer

By: U.S. Bank Trust National Association,  
not in its individual capacity but solely  
as Owner Trustee

By: /s/ Annette Morgan

Name: Annette Morgan  
Title: Assistant Vice President

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**,  
not in its individual capacity but solely as Indenture Trustee

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

[Signature Page to Supplemental Indenture No. 1]

---

**Perfection Representations, Warranties and Covenants**

In addition to the representations, warranties and covenants contained in the Indenture, the Issuer hereby represents, warrants, and covenants to the Trust, the Trust Collateral Agent and the Indenture Trustee as follows on the Closing Date and on each Distribution Date on which the Trust purchases Loans, in each case only with respect to the Collateral pledged to the Indenture Trustee on the Closing Date or the relevant Distribution Date:

**General**

1. The Indenture creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Collateral in favor of the Indenture Trustee, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from and assignees of the Trust.
2. Each Contract constitutes “tangible chattel paper,” “electronic chattel paper” or a “payment intangible,” within the meaning of UCC Section 9-102. Each Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible,” “tangible chattel paper” or “electronic chattel paper”, within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. The Trust has taken or will take all necessary actions with respect to the Loans to perfect the security interest of the Indenture Trustee in the Loans and in the property securing the Loans.

**Creation**

1. The Trust owns and has good and marketable title to the Collateral, free and clear of any Lien, claim or encumbrance of any Person, excepting only liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

### **Perfection**

1. The Trust has caused or will have caused, within ten (10) days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Collateral granted to the Indenture Trustee under the Indenture.
2. With respect to Collateral that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). With respect to Collateral that constitutes electronic chattel paper, the Trust Collateral Agent has received a written acknowledgment from the Servicer that it maintains control over such electronic chattel paper, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). All financing statements filed or to be filed against the Trust in favor of the Indenture Trustee in connection with this Indenture describing the Trust Property contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party."

### **Priority**

1. Other than the security interest granted to the Indenture Trustee pursuant to the Indenture, the Trust has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Trust Property. None of the Originator, the Servicer nor the Seller has authorized the filing of, or is aware of any financing statements against either the Seller, the Originator or the Trust that includes a description of the Collateral and proceeds related thereto other than any financing statement: (i) relating to the sale of the Originator Property by the Originator to the Seller under the Sale and Contribution Agreement; (ii) relating to the security interest granted to the Trust under the Sale and Servicing Agreement; (iii) relating to the security interest granted to the Indenture Trustee under the Indenture; or (iv) that has been terminated or amended to reflect a release of the Collateral.
2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.
3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Originator, the Servicer, the Seller, the Trust, a collection agent or the Indenture Trustee.

### **Survival of Perfection Representations**

1. Notwithstanding any other provision of the Agreement, the Sale and Contribution Agreement, the Indenture or any other Basic Document, the Perfection Representations, Warranties and Covenants contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.



**No Waiver**

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current ratings of the Notes, waive any of the Perfection Representations, Warranties or Covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the Perfection Representations, Warranties or Covenants, and shall not, without obtaining a confirmation of the then-current rating of the Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the Perfection Representations, Warranties or Covenants.

## AMENDMENT NO. 1 TO SALE AND SERVICING AGREEMENT

This AMENDMENT NO. 1 TO SALE AND SERVICING AGREEMENT, dated as of December 20, 2013 (this “Amendment”), is among Credit Acceptance Corporation, a Michigan corporation (“CAC”), as Servicer and in its individual capacity, Credit Acceptance Auto Loan Trust 2012-1, a Delaware statutory trust (the “Issuer”), Credit Acceptance Funding LLC 2012-1, a Delaware limited liability company (“Funding”), and Wells Fargo Bank, National Association (“Wells Fargo”), as Trust Collateral Agent, Indenture Trustee and Backup Servicer.

### BACKGROUND

WHEREAS, the Issuer, CAC, Funding and Wells Fargo have entered into the Sale and Servicing Agreement dated as of March 29, 2012 (as may be further amended, supplemented or otherwise modified and in effect from time to time, the “Agreement”);

WHEREAS, pursuant to Section 11.01 of the Agreement, the Agreement may be amended by the Servicer, Funding and the Trust Collateral Agent (at the written direction of the Issuer) with the consent of the Majority Noteholders for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Agreement, or of modifying in any manner the rights of the Holders of the Notes;

WHEREAS, the Servicer has caused to be delivered to the Rating Agencies written notice of the substance of the proposed amendment, the parties hereto have obtained the consent of the Majority Noteholder with respect to amending the Agreement as set forth in this Amendment, and the Issuer has directed the Trust Collateral Agent to enter into this Amendment pursuant to the Issuer Order dated December 20, 2013; and

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the provisions, covenants and the mutual agreements herein contained, the parties hereto agree as follows:

### AGREEMENT

SECTION 1. Definitions. Unless otherwise defined herein, terms that are capitalized and used throughout this Amendment are defined in Section 1.01 of the Agreement, as applicable.

SECTION 2. Amendments.

2.1 Each of the following defined terms appearing in Section 1.01 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

“Contract File” means with respect to each Contract, the physical and/or electronic files in which Credit Acceptance maintains the fully executed original counterpart or “authoritative copy” (in each case, for UCC purposes) of the Contract (to the extent required in accordance with Section 3.03 of this Agreement), either a standard assurance in the form commonly used in the industry relating to the provision of a certificate of title or other evidence of lien, the original or electronic instruments modifying the terms and conditions of such Contract and the original or electronic endorsements or assignments of such Contract.

“Outstanding Balance” means (i) with respect to any Contract on any date of determination, all amounts owing under such Contract (whether considered principal or as finance charges), on such date of determination which shall be deemed to have been created at the end of the day on the date of processing of such Contract and which shall be greater than or equal to zero; (ii) with respect to any Dealer Loan on any date of determination, the aggregate amount advanced under such Dealer Loan plus revenue accrued with respect to such Dealer Loan in accordance with Credit Acceptance’s accounting policies set forth in its periodic reports filed with the Securities and Exchange Commission, recoveries on such Dealer Loan if it has been written off and the payment of monies to a Dealer under the related Dealer Agreement, less Collections on the related Dealer Loan Contracts securing such Dealer Loan applied through such date of determination to the reduction of the balance of such Dealer Loan and less any write-offs of such Dealer Loan; (iii) with respect to any Purchased Loan (other than any Purchased Loan arising from a Dealer Collections Purchase Agreement) on any date of determination, the aggregate amount advanced under such Purchased Loan plus revenue accrued with respect to such Purchased Loan in accordance with Credit Acceptance’s accounting policies set forth in its periodic reports filed with the Securities and Exchange Commission and recoveries on such Purchased Loan if it has been written off, less Collections on the related Purchased Loan Contract applied through the date of determination to the reduction of the balance of such Purchased Loan and less any write-offs of such Purchased Loan; and (iv) with respect to any Purchased Loan arising from a Dealer Collections Purchase Agreement on any date of determination, (A) such Purchased Loan’s pro rata share of the sum of (x) the Outstanding Balance of the related Dealer Loan as of the date of the related Dealer Collections Purchase and (y) the Dealer Collections Purchase Price with respect to such Dealer Loan (such pro rata share determined based on such Purchased Loan’s pro rata share of the forecasted Collections on the pool of Purchased Loan Contracts which previously constituted Dealer Loan Contracts securing such Dealer Loan), plus following the acquisition of such Purchased Loan (B) revenue accrued with respect to such Purchased Loan in accordance with Credit Acceptance’s accounting policies set forth in its periodic reports filed with the Securities and Exchange Commission and recoveries on such Purchased Loan if it has been written off, less (C) Collections on the related Purchased Loan Contract applied through the date of determination to the reduction of the balance of such Purchased Loan, and less (D) any write-offs of such Purchased Loan.

“Records” means the Dealer Agreements, Purchase Agreements, Contracts, Contract Files and all other documents, books, records and other information (including computer programs, tapes, discs, punch cards, data processing software and related contracts, records and other media for storage of information) in each case whether tangible or electronic that are maintained with respect to the Loans and the Contracts and the related Obligors.

2.2 The following new defined terms are hereby added to Section 1.01 of the Agreement in the appropriate alphabetical order:

“Closed Pool” means, with respect to any Dealer Loan, a pool of related Dealer Loan Contracts securing such Dealer Loan as to which, pursuant to the terms of the related Dealer Agreement, no additional Dealer Loan Contracts may be allocated.

“Dealer Collections Purchase” means, the assignment of all Dealer rights, interests and entitlements in and to one or more pools of Dealer Loan Contracts securing the related Dealer Loans, including such Dealer’s ownership interest in such Dealer Loan Contracts and rights to receive the related Dealer Collections pursuant to the terms of a Dealer Collections Purchase Agreement.

“Dealer Collections Purchase Agreement” means any agreement, which Credit Acceptance enters from time to time during its ordinary course of business in managing its serviced portfolio of dealer loans, with a Dealer pursuant to which a Dealer Collections Purchase is made.

“Dealer Collections Purchase Price” means the cash payment made to a Dealer based on the present value of all future forecasted Collections on the related Dealer Loan Contracts that would constitute Dealer Collections.

“Open Pool” means, with respect to any Dealer Loan, a pool of related Dealer Loan Contracts securing such Dealer Loan as to which, pursuant to the terms of the related Dealer Agreement, additional Dealer Loan Contracts may be allocated.

2.3 The defined term “Eligible Dealer Loan” appearing in Section 1.01 of the Agreement is amended by (i) deleting the word “and” from the end of clause (q) thereof, (ii) replacing the period “.” at the end of clause (r) thereof with “; and” and (iii) adding the following new clause (s):

(s) if any Dealer Loan Contract securing such Dealer Loan is an electronic contract, such electronic contract constitutes “electronic chattel paper” and the only “authoritative copy” (as such terms are used in Section 9-105 of the UCC) of such electronic contract.

2.4 Clauses (a), (m) and (s) of the defined term “Eligible Purchased Loan” appearing in Section 1.01 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(a) which has been originated in the United States by a Dealer for the retail sale of a Financed Vehicle in the ordinary course of such Dealer’s business and is evidenced by a fully and properly executed Purchased Loan Contract of which there is only one original executed copy (or, if such Purchased Loan Contract is an electronic contract, there is only a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of such electronic contract);

(m) which (i) constitutes either “tangible chattel paper,” “electronic chattel paper” or a “payment intangible,” as such terms are defined in the UCC (ii) if “tangible chattel paper,” shall be maintained in its original “tangible” form, unless the Indenture Trustee has consented in writing to such chattel paper being maintained in another form or medium, and (iii) if “electronic chattel paper,” constitutes the only “authoritative copy” (as such term is used in Section 9-105 of the UCC);

(s) which was purchased by the Originator from a Dealer pursuant to a Purchase Agreement or, in the case of any Purchased Loan Contract that previously secured a Dealer Loan, another agreement with the applicable Dealer;

2.5 The last paragraph of the defined term “Related Security” appearing in Section 1.01 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

For the avoidance of doubt, the term “Related Security” with respect to any Dealer Loan includes all rights arising under such Dealer Loan which rights are attributable to advances made under such Dealer Loan as the result of such Dealer Loan being secured by an Open Pool on the date such Dealer Loan was sold and Dealer Loan Contracts being added to such Open Pool after the date such Dealer Loan was sold, and not otherwise included in Subsequent Seller Property, including all such rights arising after the last day of the last full Collection Period during the Revolving Period.

2.6 Section 2.01(d) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(d) For the avoidance of doubt, the term “Initial Seller Property” with respect to any Dealer Loan includes all rights arising after the Closing Date under such Dealer Loan, including a security interest in each Dealer Loan Contract securing such Dealer Loan, which rights are attributable to advances made under such Dealer Loan as the result of additional Dealer Loan Contracts being allocated to the Open Pool securing such Dealer Loan after the Closing Date.

On each Distribution Date during the Revolving Period, the Issuer shall receive Available Funds after the payment of all amounts due and payable in Section 5.08(a)(i) through (v) and shall be required to use those amounts and any amounts on deposit in the Principal Collection Account to purchase additional Loans and all collateral related thereto (or to fund additional Dealer Loan Contracts allocated to an Open Pool securing a Dealer Loan) from the Seller until the Collateral Amount equals the Minimum Collateral Amount. If on any Distribution Date during the Revolving Period there are not sufficient Eligible Loans for purchase by the Issuer to cause the Collateral Amount to equal the Minimum Collateral Amount, an amount necessary to cause the Adjusted Collateral Amount to equal the Minimum Collateral Amount will remain on deposit in the Principal Collection Account. Subject to the foregoing, and in consideration of the payment of the Subsequent Seller Property Purchase Price, the Seller agrees to convey, assign, sell and transfer without recourse, except as set forth in this Agreement, to the Trust all of its right, title and interest in and to: (i) the Loans (including all rights of the Seller under any Dealer Collections Purchase Agreement, and any Purchased Loans and Related Security arising thereunder) listed on the schedule delivered on each Distribution Date during the Revolving Period to the Servicer, the Backup Servicer and the Trust Collateral Agent that have not been previously sold to the Trust and/or the date of a Dealer Collections Purchase; (ii) rights under the Dealer Agreements and Purchase Agreements related thereto (other than the Excluded Dealer Agreement Rights), including Credit Acceptance's right to service the Loans and the related Contracts and receive the related servicing fee and receive reimbursement of certain recovery and repossession expenses, in accordance with the terms of the Dealer Agreements and Purchase Agreements; (iii) Collections (other than Dealer Collections) after the applicable Cut-off Date; (iv) an ownership interest in and/or control over each Contract evidencing a Purchased Loan and a security interest in each Contract securing each Dealer Loan; (v) all records and documents relating to the Loans and the Contracts; (vi) all security interests purporting to secure payment of the Loans; (vii) all security interests purporting to secure payment of each Contract (including a security interest in each Financed Vehicle); (viii) all guarantees, insurance or other agreements or arrangements securing the Contracts (including insurance insuring the priority or perfection of any Contract); (ix) the Seller's rights under the Sale and Contribution Agreement; and (x) all Proceeds of the foregoing (the "Subsequent Seller Property").

On each Distribution Date during the Revolving Period on which the Issuer purchases Subsequent Seller Property, the Issuer shall deliver to the Servicer, the Backup Servicer and the Trust Collateral Agent an updated Schedule A listing all the Loans, Contracts and the related Dealer Agreements and Purchase Agreements that are included in the Trust Property as of such date after giving effect to such purchase of Subsequent Seller Property, including the additional Loans purchased and additional Dealer Loan Contracts allocated to any Open Pool on such date, and the Dealer Agreements, Purchase Agreements and Contracts related thereto. Such updated Schedule A shall be deemed to replace any existing Schedule A.

Notwithstanding the foregoing, the term "Subsequent Seller Property" with respect to any Dealer Loan includes (i) all rights arising after the end of the Revolving Period under such Dealer Loan, including a security interest in each Dealer Loan Contract securing such Dealer Loan, which rights are attributable to advances made under such Dealer Loan as the result of additional Dealer Loan Contracts being allocated to the Open Pool securing such Dealer Loan after the last day of the last full Collection Period during the Revolving Period and (ii) all rights arising under any Dealer Collections Purchase Agreement, including any Purchased Loans and Related Security arising thereunder, that have been conveyed from Credit Acceptance to the Seller under the Sale and Contribution Agreement and further conveyed from the Seller to the Issuer pursuant to Section 4.18 herein.

2.8 Section 2.02(b)(vi) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(vi) on any Distribution Date, after giving effect to the purchase of additional Loans (or the funding of any additional Dealer Loan Contracts allocated to an Open Pool securing a Dealer Loan) on such date, the amount on deposit in the Principal Collection Account is greater than 5.0% of the Adjusted Collateral Amount, and such excess continues for two (2) or more Business Days;

2.9 Section 2.03(d)(iii) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(iii) The possession and/or control by the Trust, or the Servicer as the Trust's agent, of the Dealer Agreements, Purchase Agreements, Loans and Contract Files and any other property which constitute instruments, money, negotiable documents or chattel paper, shall be deemed to be "possession and/or control by the secured party" or possession and/or control by the purchaser or a person designated by such purchaser, for purposes of perfecting the security interest pursuant to the UCC; and

2.10 Clauses (viii) and (x) of Section 3.01 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(viii) Adverse Selection. No selection procedure believed by the Seller to be adverse to the interests of the Noteholders has been or will be used in selecting the Dealer Agreements, Purchase Agreements, Loans or Contracts; provided that for the avoidance of doubt, during the Revolving Period, the Seller in its sole discretion may elect to sell Dealer Loans secured by either Open Pools or Closed Pools.

(x) Security Interest. The Seller has granted a security interest (as defined in the UCC) to the Trust Collateral Agent, as agent for the Noteholders, in the Seller Property, which is enforceable in accordance with Applicable Law upon the Closing Date and each Distribution Date on which Subsequent Seller Property is sold to the Issuer, as applicable. Upon the filing of UCC-1 financing statements naming the Trust Collateral Agent as secured party and the Seller as debtor, or upon the Trust Collateral Agent obtaining possession or control, in the case of that portion of the Seller Property which constitutes tangible or electronic chattel paper or instruments, the Trust Collateral Agent, as agent for the secured parties under the Indenture, shall have a first priority perfected security interest in the Seller Property. All filings (including such UCC filings) as are necessary in any jurisdiction to perfect the interest of the Trust Collateral Agent, as agent for the Trust, in the Seller Property have been made.

2.11 Clauses (a), (b), (d), (f)(ii), (g) and (h)(i) of Section 3.03 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(a) The Trust hereby revocably appoints Credit Acceptance as custodian of the Dealer Agreements, the Purchase Agreements, the Contract Files and the Certificates of Title related to the Financed Vehicles. Credit Acceptance hereby accepts such appointment and agrees to hold and/or control, or appoint an agent to hold and/or control, each Dealer Agreement, Purchase Agreement, Contract File and, in states where it is required by applicable law, the Certificate of Title related to each Financed Vehicle under this Agreement as custodian for the Trust and the Trust Collateral Agent.

(b) (i) On or prior to the Closing Date and each Distribution Date during the Revolving Period, the Servicer shall provide an Acknowledgment substantially in the form of Exhibit E hereto dated as of the Closing Date or such Distribution Date, as applicable, to the Owner Trustee and the Trust Collateral Agent confirming that the Servicer has received and is in possession of the original copy, or has control over the "authoritative copy" (as such term is used in Section 9-105 of the UCC), of each Dealer Agreement listed on Schedule A hereto (or such amendment or supplement to Schedule A relating to each Distribution Date, as applicable).



(ii) If, on the 120th day after the Closing Date or the 120th day after each Distribution Date during the Revolving Period, the Servicer has not verified the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) of the Contract related to the Contracts listed on Schedule A hereto (or such amendment or supplement to Schedule A relating to each Distribution Date during the Revolving Period, as applicable) with respect to at least 98.0% of the number of Contract Files required to be reviewed by each such 120th day in accordance with Section 3.03(d) hereof, the Servicer shall provide notice to the Owner Trustee and the Trust Collateral Agent as of such date indicating the number of Incomplete Contracts as of such date.

(iii) On or prior to the 180th day after the Closing Date and the 180th day after each Distribution Date during the Revolving Period, the Servicer shall provide an Acknowledgment substantially in the form of Exhibit E hereto, dated as of such date, to the Owner Trustee and the Trust Collateral Agent confirming that the Servicer has verified the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) contract related to at least 98.0% of the Contract Files required to be reviewed by such date in accordance with Section 3.03(d) hereof.

(d) The Servicer shall within: (i) one hundred twenty (120) days after the Closing Date and one hundred twenty (120) days after each Distribution Date during the Revolving Period, review at least 75.0% of the Contract Files related to the Loans sold to the Trust on the Closing Date or such Distribution Date, as applicable, to verify the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) of the Contract; and (ii) 180 days after the Closing Date and one hundred eighty (180) days after each Distribution Date during the Revolving Period, review the remainder of the Contract Files related to the Loans sold to the Trust on the Closing Date or such Distribution Date, as applicable, to verify the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) of the Contract therein; provided, however, that in the case of each of (i) and (ii) above, the Certificate of Title with respect to each Contract need not be verified. If the number of Incomplete Contracts (or the number of originals of Contracts that have not otherwise been delivered to the Servicer) exceeds the number of Permitted Incomplete Contracts as of any such 120th or 180th day, as applicable, the Seller shall make the payment required by Section 3.02(b) only with respect to the excess number of Incomplete Contracts, in an amount equal to the related Purchase Amount, in accordance with the provisions of Section 3.02(b) hereof.

(f)(ii) carry out such policies and procedures in accordance with its customary actions with respect to the handling and custody of the Dealer Agreements, the Purchase Agreements, Contract Files and Records so that the integrity and physical possession of, or control over, the Dealer Agreements, Purchase Agreements, Contract Files and Records will be maintained.

(g) The Servicer shall have the obligation (i) to physically segregate the Contract Files (to the extent held in physical form) from the other custodial files it is holding for its own account or on behalf of any other Person (ii) to physically mark the Contract folders (to the extent held in physical form) to demonstrate the transfer of Contract Files and the Trust Collateral Agent's security interest hereunder, and (iii) mark its computer records indicating the transfer of any Contract Files relating to Contracts constituting electronic chattel paper and the Trust Collateral Agent's security interest hereunder.

(h)(i) If a Servicer Default occurs, the Trust Collateral Agent shall have the rights set forth in Section 8.01 hereof, including, at the request of the Indenture Trustee, at the direction of the Majority Noteholders, the right to terminate Credit Acceptance as the custodian hereunder and the Trust Collateral Agent shall have the right to appoint a successor custodian hereunder who shall assume all the rights and obligations of the "custodian" hereunder. On the effective date of the termination of Credit Acceptance as Servicer, Credit Acceptance shall be released of all of its obligations as custodian arising on or after such date. Copies of the Dealer Agreements and the Purchase Agreements, and original or "authoritative copies" (as such term is used in Section 9-105 of the UCC) of the Contract Files and Records shall be delivered by Credit Acceptance to the successor custodian, on or before the date which is two (2) Business Days prior to such date.

2.12 Section 4.06(a)(v) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(v) Preservation of Security Interest. The Servicer will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the security interest of the Indenture Trustee for the benefit of the Noteholders in, to and under the Trust Property. In its capacity as custodian, the Servicer will maintain possession of, or control over, the Dealer Agreements, Purchase Agreements and the Contract Files and Records, as custodian for the Trust and the Trust Collateral Agent, as set forth in Section 3.03(a).

2.13 The following new Section 4.18 is hereby added to the Agreement and shall read as follows:

SECTION 4.18

Dealer Collections Purchase.

(a) On the date of any Dealer Collections Purchase, Credit Acceptance shall deliver to the Indenture Trustee a list identifying (A) all Dealer Loans satisfied as a result of such Dealer Collections Purchase, (B) each Dealer Loan Contract that previously secured such Dealer Loans, and (C) the Purchased Loans and Purchased Loan Contracts evidencing such Purchased Loans resulting from such Dealer Collections Purchase, in each case of clauses (A), (B) and (C), identified by account number, dealer number and pool number, as applicable. Such list shall be deemed to supplement Exhibit A to the Sale and Contribution Agreement and Schedule V hereof as of the date of such Dealer Collections Purchase.

(b) On each date of a Dealer Collections Purchase, following payment in full of the Dealer Collections Purchase Price by Credit Acceptance to the applicable Dealer, (i) the related Dealer Loans (including the rights to the related Dealer Loan Collections thereunder) shall be deemed to be satisfied; (ii) the Dealer Loan Contracts that previously secured such Dealer Loans will be automatically assigned by Credit Acceptance to the Seller and by the Seller to the Issuer as Purchased Loan Contracts and the advances by Credit Acceptance thereon will be deemed Purchased Loans; (iii) the Issuer agrees to accept the assignment of such Purchased Loans and Purchased Loan Contracts by the Seller in satisfaction of such Dealer Loans; (iv) the Dealer Collections Purchase Agreement will be deemed a Purchase Agreement with respect to such Purchased Loans and (v) the Issuer will retain as Available Funds all Collections on such Purchased Loan Contracts that previously secured such Dealer Loans.

(c) The consideration for the conveyance from the Seller to the Issuer of the Purchased Loan Contracts and Purchased Loans arising under the related Dealer Collections Purchase Agreement and other related Subsequent Seller Property will be (i) the satisfaction of the Dealer Loans previously secured by such Purchased Loan Contracts as provided herein, plus (ii) an increase in the value of the Seller's equity interest in the Issuer (which constitutes and will constitute all of the equity interests issued by the Issuer) that results from such conveyance.

2.14 Section 5.8(a)(iv) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(iv) fourth, during the Revolving Period, to the Principal Collection Account for application by the Issuer to purchase additional Loans (or to fund additional Dealer Loan Contracts allocated to an Open Pool securing a Dealer Loan) from the Seller, the amount needed to cause the Collateral Amount to equal the Minimum Collateral Amount, and if the Minimum Collateral Amount cannot be reached due to an insufficient amount of Loans for purchase by the Issuer, the amount needed to cause the Adjusted Collateral Amount to equal the Minimum Collateral Amount;

2.15 Section 11.02(e) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(e) The Servicer shall maintain its computer systems so that, from and after the time of sale under this Agreement of the Loans and the related Contracts to the Trust, the Servicer's master computer records (including any back-up archives) that refer to a Loan or Contract shall indicate clearly (including by means of tagging) the interest of the Trust in such Loan or Contract and that such Loan or Contract is owned by the Trust. The Servicer shall at all times maintain "control" within the meaning of the UCC over the Contracts constituting electronic chattel paper. Indication of the Trust's ownership of a Loan or Contract shall be deleted from or modified on the Servicer's computer systems when, and only when, the Loan or Contract shall have been paid in full or repurchased;

2.16 Section 11.02 of the Agreement is hereby amended by adding the following new clause (k) therein:

(k) Prior to the first date on which any Contracts constituting electronic chattel paper are transferred to the Issuer, the following conditions must be satisfied:

(1) with respect to each Rating Agency, either (a) written confirmation to the Indenture Trustee by such Rating Agency that transfer of electronic chattel paper from Credit Acceptance to the Seller and from the Seller to the Issuer will not itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes or (b) such Rating Agency shall have been given notice of such transfer at least ten (10) days prior to the occurrence of the first such transfer and such Rating Agency shall not have issued any written notice to the Indenture Trustee that the occurrence of such transfer will itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes; and

(2) if and to the extent requested by any Rating Agency, such Rating Agency shall have received an Opinion of Counsel (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specified procedures are followed by Credit Acceptance, the security interest (as defined in the UCC) of Credit Acceptance in the electronic chattel paper will be perfected by "control".

Thereafter, satisfaction of the conditions set forth in this clause (k)(1) and (2) shall not be required for any subsequent transfers of Contracts constituting electronic chattel paper to the Issuer.

SECTION 3. Effect of Amendment. Except as expressly amended and modified by this Amendment, all provisions of the Agreement shall remain in full force and effect and each reference to the Agreement and words of similar import in the Agreement, as amended hereby, shall be a reference to the Agreement as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement other than as set forth herein.

SECTION 4. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile or other electronic transmission shall be as effective as delivery of a manually executed counterpart.

SECTION 5. Governing Law. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Execution, Delivery and Validity. Each party hereto represents and warrants to each other party hereto that this Amendment has been duly and validly executed and delivered by such party and constitutes its legal, valid and binding obligation, enforceable against such party in accordance with its terms.

SECTION 7. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 8. Miscellaneous. The Agreement, as supplemented and amended by this Amendment, is in all respects hereby adopted, ratified and confirmed.

*[Signatures begin on the following page]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CREDIT ACCEPTANCE FUNDING LLC 2012-1,  
as Seller

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Treasurer

CREDIT ACCEPTANCE CORPORATION,  
as Servicer and in its individual capacity

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Senior Vice President and Treasurer

CREDIT ACCEPTANCE AUTO LOAN TRUST 2012-1, as Issuer

By: U.S. Bank Trust National Association,  
not in its individual capacity but solely as  
Owner Trustee on behalf of the Trust

By: /s/ Annette Morgan

Name: Annette Morgan  
Title: Assistant Vice President

S-2

Amendment No.1 to Sale and Servicing Agreement

---

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trust Collateral Agent

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

S-3

Amendment No.1 to Sale and Servicing Agreement

---



**Perfection Representations, Warranties and Covenants**

In addition to the representations, warranties and covenants contained in the Agreement, the Seller hereby represents, warrants, and covenants to the Trust and the Indenture Trustee as follows on the Closing Date and on each Distribution Date on which the Trust purchases Loans, in each case only with respect to the Seller Property conveyed to the Trust on such Closing Date or the relevant Distribution Date:

**General**

1. The Agreement creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Seller Property in favor of the Trust, which security interest is prior to all other Liens, and is enforceable as such against creditors of and purchasers from and assignees of the Seller.
2. Each Contract constitutes “tangible chattel paper,” “electronic chattel paper” or a “payment intangible” within the meaning of UCC Section 9-102. Each Dealer Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible,” or “tangible chattel paper” within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. The Seller has taken or will take all necessary actions with respect to the Loans to perfect its security interest in the Loans and in the property securing the Loans.

**Creation**

1. The Seller owns and has good and marketable title to the Initial Seller Property or Subsequent Seller Property, as applicable, free and clear of any Lien, claim or encumbrance of any Person, excepting only liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

### **Perfection**

1. The Seller has caused or will have caused, within ten (10) days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the conveyance and sale of the Conveyed Property from the Originator to the Seller, the transfer and sale of the Seller Property from the Seller to the Issuer, and the security interest in the Collateral granted to the Indenture Trustee under the Indenture.
2. With respect to Seller Property that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). With respect to Seller Property that constitutes electronic chattel paper, the Trust Collateral Agent has received a written acknowledgment from the Servicer that it, maintains control over such “electronic chattel paper”, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). All financing statements filed or to be filed against the Seller in favor of the Issuer or its assignee in connection with this Agreement describing the Seller Property contain a statement to the following effect: “A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party.”

### **Priority**

1. Other than the security interest granted to the Issuer pursuant to this Agreement, the Seller has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Seller Property. None of the Originator, the Servicer nor the Seller has authorized the filing of, or is aware of any financing statements against either the Seller, the Originator or the Trust that includes a description of the Seller Property and proceeds related thereto other than any financing statement: (i) relating to the sale of Conveyed Property by the Originator to the Seller under the Sale and Contribution Agreement, (ii) relating to the security interest granted to the Trust hereunder, (iii) relating to the security interest granted to the Trust Collateral Agent under the Indenture; or (iv) that has been terminated or amended to reflect a release of the Seller Property.
2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.
3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Originator, the Servicer, the Seller, the Trust, a collection agent or the Trust Collateral Agent.

### **Survival of Perfection Representations**

1. Notwithstanding any other provision of the Agreement, the Sale and Contribution Agreement, the Indenture or any other Basic Document, the Perfection Representations, Warranties and Covenants contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer’s rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.

## **No Waiver**

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current ratings of the Notes, waive any of the Perfection Representations, Warranties or Covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the Perfection Representations, Warranties or Covenants, and shall not, without obtaining a confirmation of the then-current ratings of the Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the Perfection Representations, Warranties or Covenants.

**AMENDMENT NO. 1 TO SALE AND CONTRIBUTION AGREEMENT**

This AMENDMENT No. 1 TO SALE AND CONTRIBUTION AGREEMENT, dated as of December 20, 2013 (this "Amendment"), is among Credit Acceptance Corporation, a Michigan corporation ("CAC"), and Credit Acceptance Funding LLC 2012-1, a Delaware limited liability company ("Funding").

**BACKGROUND**

WHEREAS, CAC and Funding have entered into the Sale and Contribution Agreement dated as of March 29, 2012 (as may be further amended, supplemented or otherwise modified and in effect from time to time, the "Agreement");

WHEREAS, pursuant to Section 8.1 of the Agreement, the Agreement may be amended by CAC and Funding with the written consent of the Trust Collateral Agent;

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the provisions, covenants and the mutual agreements herein contained, the parties hereto agree as follows:

**AGREEMENT**

SECTION 1. Definitions. Capitalized terms defined or referenced in the Agreement and not otherwise defined or referenced herein are used herein as defined or referenced in the Agreement.

SECTION 2. Amendments.

2.1 The last paragraph of the defined term "Related Security" appearing in Section 1.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

For the avoidance of doubt, the term "Related Security" with respect to any Dealer Loan includes all rights arising under such Dealer Loan which rights are attributable to advances made under such Dealer Loan as the result of such Dealer Loan being secured by an Open Pool on the date such Dealer Loan was sold and Dealer Loan Contracts being allocated to such Open Pool after the date such Dealer Loan was sold, and not otherwise included in Subsequent Conveyed Property, including all such rights arising after the last day of the last full Collection Period during the Revolving Period.

2.2 The defined term "Subsequent Conveyed Property" appearing in Section 1.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

---

“Subsequent Conveyed Property” means, with respect to any Distribution Date and/or date of Dealer Collections Purchase, (i) the Loans added to Exhibit A hereto as of such date (including all rights of CAC under any Dealer Collections Purchase Agreement and any Purchased Loans and Related Security arising thereunder) and (ii) all Related Security with respect thereto.

2.3 Clauses (b), (c), (g), (h) and (i) of Section 2.1 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(b) CAC hereby further agrees that on each Distribution Date during the Revolving Period on which it decides to transfer additional Loans to Funding and the date of each Dealer Collections Purchase, in consideration of the payment described in Article III with respect to such Distribution Date, CAC shall, and CAC does hereby agree to convey, assign, sell and transfer to Funding, without recourse, except as set forth in this Agreement, all of its right, title and interest in and to the Subsequent Conveyed Property with respect to such Distribution Date.

(c) CAC hereby further agrees that the above-described conveyances shall, without the need for any further action on the part of CAC or Funding, include (i) all rights arising under any Dealer Loan included in the Initial Conveyed Property and Subsequent Conveyed Property, including, without limitation, a security interest in each Dealer Loan Contract securing such Dealer Loan, which rights are attributable to advances made under such Dealer Loan as the result of additional Dealer Loan Contracts being allocated to the Open Pool securing such Dealer Loan and (ii) all rights arising under any Dealer Collections Purchase Agreement, including any Purchased Loans and Related Security arising thereunder.

(g) It is the express intent of CAC and Funding that the conveyance of the Loans and other Conveyed Property by CAC to Funding pursuant to this Agreement be construed as an absolute sale and conveyance of all of CAC's right, title and interest in and to such Loans and other Conveyed Property to Funding and that CAC relinquishes control over and all rights, title and interest (legal or equitable) in any Loan or other Conveyed Property immediately upon the transfer of each such Conveyed Property under this Agreement; except that, for the avoidance of doubt, CAC may effect a Dealer Collections Purchase from time to time and will continue to service the Conveyed Property, in each case, in accordance with the terms of this Agreement and the Sale and Servicing Agreement. Further, it is not the intention of CAC and Funding that such conveyance be deemed a grant of a security interest in the Loans and other Conveyed Property by CAC to Funding in the nature of a consensual lien securing an obligation. However, notwithstanding the express intent of the parties, if and to the extent the transfer of any of the Loans or other Conveyed Property is for any purpose characterized as a collateral transfer for security or the transaction is characterized as a financing transaction, then (i) this Agreement also shall be deemed to be, and hereby is, a security agreement within the meaning of the UCC as enacted in the State of New York; and (ii) the conveyance by CAC provided for in this Agreement shall be deemed to be, and CAC hereby grants to Funding, a first priority, perfected security interest in, to and under and a lien on all of CAC's right, title and interest in, to and under the Conveyed Property, to secure the obligation of CAC to pay to Funding an amount equal to the Issuer Secured Obligations. CAC and Funding shall, to the extent consistent with this Agreement, take such actions as may be necessary to ensure that, if this Agreement were deemed to create such a security interest in the Loans and other Conveyed Property, such security interest would be a perfected security interest in favor of Funding under applicable law and will be maintained as such throughout the term of this Agreement.

(h) In connection with such conveyance, CAC agrees to deliver to Funding on the Closing Date and each Distribution Date on which Subsequent Conveyed Property are sold by CAC to Funding, as applicable, one or more computer files or microfiche lists containing true and complete lists of all Dealer Agreements, Purchase Agreements, Loans conveyed to Funding on the Closing Date, and all Contracts securing or evidencing all such Loans, identified by account number, dealer number and, for Contracts securing Dealer Loans, pool number. Such file or list shall be marked as Exhibit A to this Agreement, shall be delivered to Funding as confidential and proprietary, and is hereby incorporated into and made a part of this Agreement. Such Exhibit A shall be supplemented and updated on each Distribution Date in the Revolving Period on which additional Subsequent Conveyed Property is conveyed by CAC to Funding so that Exhibit A will describe all existing Loans, on an aggregate basis, which have been conveyed by CAC to Funding hereunder on and prior to said Distribution Date, and the related Dealer Agreements, the related Purchase Agreements and all Contracts securing or evidencing all such Loans (other than those that have been released from Collateral and those Dealer Loans that have been deemed to be satisfied pursuant to Section 4.18 of the Sale and Servicing Agreement). Such updated Exhibit A shall be deemed to replace any existing Exhibit A as of such Distribution Date. Furthermore, CAC agrees to supplement and update Exhibit A by delivering to Funding a copy of the list delivered pursuant to Section 4.18 of the Sale and Servicing Agreement, identifying the Purchased Loan Contracts and related Subsequent Conveyed Property identified therein arising from a Dealer Collections Purchase.

2.4 The following new Section 3.3 is hereby added to the Agreement:

SECTION 3.3                      Dealer Collections Purchases. During its ordinary course of business in managing its serviced portfolio of dealer loans, CAC may from time to time agree to enter into an agreement (a "Dealer Collections Purchase Agreement") with a Dealer, pursuant to which the Dealer agrees to sell and assign to CAC all of its rights, interests and entitlement in and to one or more Pools of Dealer Loan Contracts securing the related Dealer Loans, including such Dealer's ownership interest in such Dealer Loan Contracts and rights to receive the related Dealer Collections (a "Dealer Collections Purchase"). On the date of each Dealer Collections Purchase, CAC will pay the applicable Dealer under a Dealer Collections Purchase Agreement the applicable purchase price specified therein (the "Dealer Collections Purchase Price"). Upon such payment, the related Dealer Loans (including the rights to the related Dealer Loan Collections thereunder) shall be deemed to be satisfied and pursuant to Section 2.1(b) of this Agreement the Dealer Loan Contracts previously securing such Dealer Loans shall be automatically assigned by CAC to Funding as Purchased Loan Contracts and the loans thereunder shall be deemed Purchased Loans. Funding agrees to accept the assignment of the Purchased Loans and Purchased Loan Contracts arising from the satisfaction of a Dealer Loan resulting from a Dealer Collections Purchase by CAC in satisfaction of such Dealer Loan secured by the related Dealer Loan Contracts. The consideration for the conveyance from CAC to Funding of the Purchased Loan Contracts and Purchased Loans arising under the related Dealer Collections Purchase Agreement and other related Subsequent Conveyed Property will be (i) the satisfaction of the Dealer Loans previously secured by such Purchased Loan Contracts as provided herein, plus (ii) an increase in the value of CAC's membership interest in Funding (which constitutes and will constitute all of the equity interests issued by Funding) that results from such conveyance.

2.5    Section 4.1(o) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(o)        Adverse Selection. No selection procedure believed by CAC to be adverse to the interests of Funding has been or will be used in selecting the Loans or any Dealer Agreements or Purchase Agreements; provided that for the avoidance of doubt, during the Revolving Period, CAC in its sole discretion may elect to sell Dealer Loans secured by either Open Pools or Closed Pools.

2.6    Section 5.1(e) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(e) Preservation of Security Interest. CAC will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and perfect the security interest of Funding in, to and under the Conveyed Property. CAC will maintain possession of, or control over, the Dealer Agreements, Purchase Agreements and the Contract Files and Records, as custodian for the Trust and the Trust Collateral Agent, as set forth in Section 3.03(a) of the Sale and Servicing Agreement. CAC, as Servicer, will comply with its covenants under Section 4.06(a)(v) of the Sale and Servicing Agreement.

2.7 Section 5.2(c) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(c) No Instruments. CAC shall take no action to cause any Loan to be evidenced by any instrument (as defined in the UCC as in effect in the relevant jurisdictions), except for instruments obtained with respect to defaulted Loans that are in the possession, or under the control, of the Servicer in its capacity as custodian for the Trust and the Trust Collateral Agent.

2.8 Section 5.2 of the Agreement is hereby amended by adding the following new clause (i) therein:

(i) Electronic Chattel Paper. Prior to the first date on which any Contracts constituting electronic chattel paper are transferred to Funding, the following conditions must be satisfied:

(A) with respect to each Rating Agency, either (a) written confirmation to the Indenture Trustee by such Rating Agency that transfer of electronic chattel paper from CAC to the Seller and from the Seller to the Issuer will not itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes or (b) such Rating Agency shall have been given notice of such transfer at least ten (10) days prior to the occurrence of the first such transfer and such Rating Agency shall not have issued any written notice to the Indenture Trustee that the occurrence of such transfer will itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes; and

(B) if and to the extent requested by any Rating Agency, such Rating Agency shall have received an Opinion of Counsel (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specified procedures are followed by CAC, the security interest (as defined in the UCC) of CAC in the electronic chattel paper will be perfected by "control" within the meaning of the UCC.

Thereafter, satisfaction of the conditions set forth in this clause (i)(A) and (B) shall not be required for any subsequent transfers of Contracts constituting electronic chattel paper to Funding.



2.9 Section 5.3(a)(xii) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(xii) the failure of a Contract File to contain the relevant original or "authoritative copy" of the Contract (other than pursuant to the provisos in Section 4.1(g) or Section 5.2(a)).

2.10 Exhibit B to the Agreement is hereby amended in its entirety and as so amended shall read as Exhibit B appearing in Annex 1 hereto.

SECTION 3. Effect of Amendment. Except as expressly amended and modified by this Amendment, all provisions of the Agreement shall remain in full force and effect and each reference to the Agreement and words of similar import in the Agreement, as amended hereby, shall be a reference to the Agreement as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement other than as set forth herein.

SECTION 4. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile or other electronic transmission shall be as effective as delivery of a manually executed counterpart.

SECTION 5. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Execution, Delivery and Validity. Each party hereto represents and warrants to each other party hereto that this Amendment has been duly and validly executed and delivered by such party and constitutes its legal, valid and binding obligation, enforceable against such party in accordance with its terms.

SECTION 7. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 8. Miscellaneous. The Agreement, as supplemented and amended by this Amendment, is in all respects hereby adopted, ratified and confirmed.

*[Signatures begin on the following page]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Senior Vice President and Treasurer

CREDIT ACCEPTANCE FUNDING LLC 2012-1

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Treasurer

Consented and Acknowledged:

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trust Collateral Agent

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

S-2

Amendment No. 1 to Sale and Contribution Agreement

---

**Perfection Representations, Warranties And Covenants**

In addition to the representations, warranties and covenants contained in the Agreement, CAC hereby represents, warrants, and covenants to Funding as follows on the Closing Date and on each Distribution Date on which Funding purchases Loans, in each case only with respect to the Conveyed Property conveyed to Funding on such Closing Date or the relevant Distribution Date:

**General**

1. This Agreement creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Conveyed Property in favor of Funding, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from and assignees of CAC.
2. Each Contract constitutes “tangible chattel paper”, “electronic chattel paper,” or a “payment intangible”, within the meaning of UCC Section 9-102. Each Dealer Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible” or “tangible chattel paper” within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. CAC has taken or will take all necessary actions with respect to the Loans to perfect Funding’s security interest in the Loans and in the property securing the Loans.

**Creation**

1. CAC owns and has good and marketable title to the Initial Conveyed Property or Subsequent Conveyed Property, as applicable, free and clear of any Lien, claim or encumbrance of any Person, excepting only (i) liens that will be terminated or amended on the Closing Date or each Distribution Date during the Revolving Period, as applicable, to reflect a release of the Initial Conveyed Property or Subsequent Conveyed Property, as applicable, and (ii) liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

### **Perfection**

1. CAC has caused or will have caused, within ten days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the contribution and sale of the Conveyed Property from the Originator to Funding, the transfer and sale of the Seller Property from the Seller to the Issuer, and the security interest in the Collateral granted to the Indenture Trustee under the Indenture.

2. With respect to Seller Property that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s).

With respect to Seller Property that constitutes electronic chattel paper, the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer that it, maintains control over such electronic chattel paper, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller and the Trust.

All financing statements filed or to be filed against CAC in favor of Funding in connection with this Sale and Contribution Agreement describing the Conveyed Property contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party."

### **Priority**

1. None of CAC, the Servicer nor Funding has authorized the filing of, or is aware of any financing statements against either Funding, CAC or the Trust that includes a description of the Conveyed Property and proceeds related thereto other than any financing statement: (i) relating to the transfer of Conveyed Property by the Originator to the Seller under the Sale and Contribution Agreement, (ii) relating to the transfer to the Trust under the Sale and Servicing Agreement, (iii) relating to the security interest granted to the Indenture Trustee under the Indenture; or (iv) that will be terminated or amended to reflect a release of the Conveyed Property. Other than the security interest granted to Funding pursuant to this Sale and Contribution Agreement, CAC has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Conveyed Property.

2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.

3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than CAC, the Servicer, Funding, the Trust, a collection agent or the Trust Collateral Agent.

#### **Survival of Perfection Representations**

1. Notwithstanding any other provision of this Agreement, the Sale and Servicing Agreement, the Indenture or any other Basic Document, the perfection representations, warranties and covenants contained in this Exhibit shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.

#### **No Waiver**

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current rating of the Class A and Class B Notes, waive any of the perfection representations, warranties or covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the perfection representations, warranties or covenants, and shall not, without obtaining a confirmation of the then-current rating of the Class A and Class B Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the perfection representations, warranties or covenants.

## SUPPLEMENTAL INDENTURE NO. 1

SUPPLEMENTAL INDENTURE NO. 1, dated as of December 20, 2013 (this “Supplemental Indenture”) between Credit Acceptance Auto Loan Trust 2012-2, a Delaware statutory trust (the “Issuer”), and Wells Fargo Bank, National Association (“Wells Fargo”), as Trust Collateral Agent and Indenture Trustee, under the Indenture referred to below.

## BACKGROUND

WHEREAS, the Issuer and Wells Fargo have entered into an indenture dated as of September 20, 2012 (as may be further amended, supplemented or otherwise modified and in effect from time to time, the “Indenture”);

WHEREAS, pursuant to Section 9.2 of the Indenture, the Issuer and the Indenture Trustee (when authorized by an Issuer Order), with the consent of the Majority Noteholders and prior notice to the Rating Agencies, are permitted to enter into an indenture or supplemental indentures for the purpose of modifying in any manner the rights of the Holders of the Notes under the Indenture;

WHEREAS, the Issuer now wishes to amend the Indenture as set forth herein and has, pursuant to an Issuer Order dated December 20, 2013, requested the Indenture Trustee to join with it in the execution and delivery of this Supplemental Indenture;

WHEREAS, the Servicer has caused to be delivered to the Rating Agencies notice of this Supplemental Indenture, and the Issuer and the Indenture Trustee have obtained the consent of the Majority Noteholders to modify the Indenture as set forth in this Supplemental Indenture;

NOW THEREFORE, the Issuer and the Indenture Trustee hereby agree as follows:

## AGREEMENT

SECTION 1. Incorporation by Reference. Capitalized terms defined or referenced in the Indenture and not otherwise defined or referenced herein are used herein as defined or referenced in the Indenture.

SECTION 2. Amendments.

2.1 Section 5.5 of the Indenture is hereby amended in its entirety and as so amended shall read as follows:

SECTION 5.5. Optional Preservation of the Trust Property.

If the Notes have been declared to be due and payable under Section 5.2 following an Indenture Event of Default and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee shall maintain possession of and/or control over the Trust Property which is in its possession or over which it has control and direct the Trust Collateral Agent to maintain possession of and/or control over the Trust Property which is in the possession of or controlled by the Trust Collateral Agent unless the Indenture Trustee is directed in writing by the Majority Noteholders to sell or otherwise liquidate the Trust Property and the conditions set forth in Section 5.4(a)(iv) have been satisfied. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Majority Noteholders, shall take such desire into account when determining whether or not to direct the Indenture Trustee or the Trust Collateral Agent, as applicable, to maintain possession of and/or control over the Trust Property. In determining whether to direct the Indenture Trustee or the Trust Collateral Agent, as applicable, to obtain possession of and/or control over the Trust Property, the Majority Noteholders may, but need not maintain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Trust Property for such purpose.

---

2.2 Schedule A to the Indenture is hereby amended in its entirety and as so amended shall read as Schedule A appearing in Annex 1 hereto.

SECTION 3. Indenture Otherwise Unchanged. Except as herein provided, the Indenture shall remain unchanged and in full force and effect, and each reference to the Indenture and words of similar import in the Indenture, as amended hereby, shall be a reference to the Indenture as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Supplemental Indenture shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Indenture other than as set forth herein.

SECTION 4. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 5. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Miscellaneous. The Indenture, as supplemented and amended by this Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

SECTION 7. Execution, Delivery and Validity. Each party hereto represents and warrants to each other party hereto that this Supplemental Indenture has been duly and validly executed and delivered by such party and constitutes its legal, valid and binding obligation, enforceable against such party in accordance with its terms.

SECTION 8. Binding Effect. This Supplemental Indenture shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

[SIGNATURE PAGE FOLLOWS]



IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplemental Indenture to be duly executed by their respective officers, thereunto duly authorized, all as of the day and year first above written.

**CREDIT ACCEPTANCE AUTO LOAN  
TRUST 2012-2**, as Issuer

By: U.S. Bank Trust National Association,  
not in its individual capacity but solely  
as Owner Trustee

By: /s/ Annette Morgan

Name: Annette Morgan  
Title: Assistant Vice President

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**,  
not in its individual capacity but solely as  
Indenture Trustee

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

[Signature Page to Supplemental Indenture No. 1]

---

**Perfection Representations, Warranties and Covenants**

In addition to the representations, warranties and covenants contained in the Indenture, the Issuer hereby represents, warrants, and covenants to the Trust, the Trust Collateral Agent and the Indenture Trustee as follows on the Closing Date and on each Distribution Date on which the Trust purchases Loans, in each case only with respect to the Collateral pledged to the Indenture Trustee on the Closing Date or the relevant Distribution Date:

**General**

1. The Indenture creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Collateral in favor of the Indenture Trustee, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from and assignees of the Trust.
2. Each Contract constitutes “tangible chattel paper,” “electronic chattel paper” or a “payment intangible,” within the meaning of UCC Section 9-102. Each Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible,” “tangible chattel paper” or “electronic chattel paper,” within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. The Trust has taken or will take all necessary actions with respect to the Loans to perfect the security interest of the Indenture Trustee in the Loans and in the property securing the Loans.

**Creation**

1. The Trust owns and has good and marketable title to the Collateral, free and clear of any Lien, claim or encumbrance of any Person, excepting only liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

### **Perfection**

1. The Trust has caused or will have caused, within ten (10) days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Collateral granted to the Indenture Trustee under the Indenture.
2. With respect to Collateral that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). With respect to Collateral that constitutes electronic chattel paper, the Trust Collateral Agent has received a written acknowledgment from the Servicer that it maintains control over such electronic chattel paper, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). All financing statements filed or to be filed against the Trust in favor of the Indenture Trustee in connection with this Indenture describing the Trust Property contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party."

### **Priority**

1. Other than the security interest granted to the Indenture Trustee pursuant to the Indenture, the Trust has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Trust Property. None of the Originator, the Servicer nor the Seller has authorized the filing of, or is aware of any financing statements against either the Seller, the Originator or the Trust that includes a description of the Collateral and proceeds related thereto other than any financing statement: (i) relating to the sale of the Originator Property by the Originator to the Seller under the Sale and Contribution Agreement; (ii) relating to the security interest granted to the Trust under the Sale and Servicing Agreement; (iii) relating to the security interest granted to the Indenture Trustee under the Indenture; or (iv) that has been terminated or amended to reflect a release of the Collateral.
2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.
3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Originator, the Servicer, the Seller, the Trust, a collection agent or the Indenture Trustee.

### **Survival of Perfection Representations**

1. Notwithstanding any other provision of the Agreement, the Sale and Contribution Agreement, the Indenture or any other Basic Document, the Perfection Representations, Warranties and Covenants contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.

**No Waiver**

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current ratings of the Notes, waive any of the Perfection Representations, Warranties or Covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the Perfection Representations, Warranties or Covenants, and shall not, without obtaining a confirmation of the then-current rating of the Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the Perfection Representations, Warranties or Covenants.

## AMENDMENT NO. 1 TO SALE AND SERVICING AGREEMENT

This AMENDMENT NO. 1 TO SALE AND SERVICING AGREEMENT, dated as of December 20, 2013 (this “Amendment”), is among Credit Acceptance Corporation, a Michigan corporation (“CAC”), as Servicer and in its individual capacity, Credit Acceptance Auto Loan Trust 2012-2, a Delaware statutory trust (the “Issuer”), Credit Acceptance Funding LLC 2012-2, a Delaware limited liability company (“Funding”), and Wells Fargo Bank, National Association (“Wells Fargo”), as Trust Collateral Agent, Indenture Trustee and Backup Servicer.

## BACKGROUND

WHEREAS, the Issuer, CAC, Funding and Wells Fargo have entered into the Sale and Servicing Agreement dated as of September 20, 2012 (as may be further amended, supplemented or otherwise modified and in effect from time to time, the “Agreement”);

WHEREAS, pursuant to Section 11.01 of the Agreement, the Agreement may be amended by the Servicer, Funding and the Trust Collateral Agent (at the written direction of the Issuer) with the consent of the Majority Noteholders for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Agreement, or of modifying in any manner the rights of the Holders of the Notes;

WHEREAS, the Servicer has caused to be delivered to the Rating Agencies written notice of the substance of the proposed amendment, the parties hereto have obtained the consent of the Majority Noteholder with respect to amending the Agreement as set forth in this Amendment, and the Issuer has directed the Trust Collateral Agent to enter into this Amendment pursuant to the Issuer Order dated December 20, 2013; and

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the provisions, covenants and the mutual agreements herein contained, the parties hereto agree as follows:

## AGREEMENT

SECTION 1. Definitions. Unless otherwise defined herein, terms that are capitalized and used throughout this Amendment are defined in Section 1.01 of the Agreement, as applicable.

SECTION 2. Amendments.

2.1 Each of the following defined terms appearing in Section 1.01 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

“Contract File” means with respect to each Contract, the physical and/or electronic files in which Credit Acceptance maintains the fully executed original counterpart or “authoritative copy” (in each case, for UCC purposes) of the Contract (to the extent required in accordance with Section 3.03 of this Agreement), either a standard assurance in the form commonly used in the industry relating to the provision of a certificate of title or other evidence of lien, the original or electronic instruments modifying the terms and conditions of such Contract and the original or electronic endorsements or assignments of such Contract.

“Records” means the Dealer Agreements, Purchase Agreements, Contracts, Contract Files and all other documents, books, records and other information (including computer programs, tapes, discs, punch cards, data processing software and related contracts, records and other media for storage of information) in each case whether tangible or electronic that are maintained with respect to the Loans and the Contracts and the related Obligors.

2.2 The defined term “Eligible Dealer Loan” appearing in Section 1.01 of the Agreement is amended by (i) deleting the word “and” from the end of clause (q) thereof, (ii) replacing the period “.” at the end of clause (r) thereof with “; and” and (iii) adding the following new clause (s):

(s) if any Dealer Loan Contract securing such Dealer Loan is an electronic contract, such electronic contract constitutes “electronic chattel paper” and the only “authoritative copy” (as such terms are used in Section 9-105 of the UCC) of such electronic contract.

2.3 Clause (m) of the defined term “Eligible Purchased Loan” appearing in Section 1.01 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(m) which (i) constitutes either “tangible chattel paper,” “electronic chattel paper” or a “payment intangible,” as such terms are defined in the UCC (ii) if “tangible chattel paper,” shall be maintained in its original “tangible” form, unless the Indenture Trustee has consented in writing to such chattel paper being maintained in another form or medium, and (iii) if “electronic chattel paper,” constitutes the only “authoritative copy” (as such term is used in Section 9-105 of the UCC);

2.4 Section 2.01(d) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(d) For the avoidance of doubt, the term “Initial Seller Property” with respect to any Dealer Loan includes all rights arising after the Closing Date under such Dealer Loan, including a security interest in each Dealer Loan Contract securing such Dealer Loan, which rights are attributable to advances made under such Dealer Loan as the result of additional Dealer Loan Contracts being allocated to the Open Pool securing such Dealer Loan after the Closing Date.

2.5 The first paragraph of Section 2.02(a) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

On each Distribution Date during the Revolving Period, the Issuer shall receive Available Funds after the payment of all amounts due and payable in Section 5.08(a)(i) through (iii) and shall be required to use those amounts and any amounts on deposit in the Principal Collection Account to purchase additional Loans and all collateral related thereto (or to fund additional Dealer Loan Contracts allocated to an Open Pool securing a Dealer Loan) from the Seller until the Collateral Amount equals the Minimum Collateral Amount. If on any Distribution Date during the Revolving Period there are not sufficient Eligible Loans for purchase by the Issuer to cause the Collateral Amount to equal the Minimum Collateral Amount, an amount necessary to cause the Adjusted Collateral Amount to equal the Minimum Collateral Amount will remain on deposit in the Principal Collection Account. Subject to the foregoing, and in consideration of the payment of the Subsequent Seller Property Purchase Price, the Seller agrees to convey, assign, sell and transfer without recourse, except as set forth in this Agreement, to the Trust all of its right, title and interest in and to: (i) the Loans listed on the schedule delivered on each Distribution Date during the Revolving Period to the Servicer, the Backup Servicer and the Trust Collateral Agent that have not been previously sold to the Trust; (ii) rights under the Dealer Agreements and Purchase Agreements related thereto (other than the Excluded Dealer Agreement Rights), including Credit Acceptance's right to service the Loans and the related Contracts and receive the related servicing fee and receive reimbursement of certain recovery and repossession expenses, in accordance with the terms of the Dealer Agreements and Purchase Agreements; (iii) Collections (other than Dealer Collections) after the applicable Cut-off Date; (iv) an ownership interest in and/or control over each Contract evidencing a Purchased Loan and a security interest in each Contract securing each Loan; (v) all records and documents relating to the Loans and the Contracts; (vi) all security interests purporting to secure payment of the Loans; (vii) all security interests purporting to secure payment of each Contract (including a security interest in each Financed Vehicle); (viii) all guarantees, insurance or other agreements or arrangements securing the Contracts; (ix) the Seller's rights under the Sale and Contribution Agreement; and (x) all Proceeds of the foregoing (the "Subsequent Seller Property").

2.6 Section 2.03(d)(iii) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(iii) The possession and/or control by the Trust, or the Servicer as the Trust's agent, of the Dealer Agreements, Purchase Agreements, Loans and Contract Files and any other property which constitute instruments, money, negotiable documents or chattel paper, shall be deemed to be "possession and/or control by the secured party" or possession and/or control by the purchaser or a person designated by such purchaser, for purposes of perfecting the security interest pursuant to the UCC; and

2.7 Clause (x) of Section 3.01 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(x) Security Interest. The Seller has granted a security interest (as defined in the UCC) to the Trust Collateral Agent, as agent for the Noteholders, in the Seller Property, which is enforceable in accordance with Applicable Law upon the Closing Date and each Distribution Date on which Subsequent Seller Property is sold to the Issuer, as applicable. Upon the filing of UCC-1 financing statements naming the Trust Collateral Agent as secured party and the Seller as debtor, or upon the Trust Collateral Agent obtaining possession or control, in the case of that portion of the Seller Property which constitutes tangible or electronic chattel paper or instruments, the Trust Collateral Agent, as agent for the secured parties under the Indenture, shall have a first priority perfected security interest in the Seller Property. All filings (including such UCC filings) as are necessary in any jurisdiction to perfect the interest of the Trust Collateral Agent, as agent for the Trust, in the Seller Property have been made.

2.8 Clauses (a), (b), (d), (f)(ii), (g) and (h)(i) of Section 3.03 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(a) The Trust hereby revocably appoints Credit Acceptance as custodian of the Dealer Agreements, the Purchase Agreements, the Contract Files and the Certificates of Title related to the Financed Vehicles. Credit Acceptance hereby accepts such appointment and agrees to hold and/or control, or appoint an agent to hold and/or control, each Dealer Agreement, Purchase Agreement, Contract File and, in states where it is required by applicable law, the original Certificate of Title related to each Financed Vehicle under this Agreement as custodian for the Trust and the Trust Collateral Agent.

(b) (i) On or prior to the Closing Date and each Distribution Date during the Revolving Period, the Servicer shall provide an Acknowledgment substantially in the form of Exhibit E hereto dated as of the Closing Date or such Distribution Date, as applicable, to the Owner Trustee and the Trust Collateral Agent confirming that the Servicer has received and is in possession of the original copy, or has control over the "authoritative copy" (as such term is used in Section 9-105 of the UCC), of each Dealer Agreement listed on Schedule A hereto (or such amendment or supplement to Schedule A relating to each Distribution Date, as applicable).



(ii) If, on the 120th day after the Closing Date or the 120th day after each Distribution Date during the Revolving Period, the Servicer has not verified the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) of the Contract related to the Contracts listed on Schedule A hereto (or such amendment or supplement to Schedule A relating to each Distribution Date during the Revolving Period, as applicable) with respect to at least 98.0% of the number of Contract Files required to be reviewed by each such 120th day in accordance with Section 3.03(d) hereof, the Servicer shall provide notice to the Owner Trustee and the Trust Collateral Agent as of such date indicating the number of Incomplete Contracts as of such date.

(iii) On or prior to the 180th day after the Closing Date and the 180th day after each Distribution Date during the Revolving Period, the Servicer shall provide an Acknowledgment substantially in the form of Exhibit E hereto, dated as of such date, to the Owner Trustee and the Trust Collateral Agent confirming that the Servicer has verified the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) of the contract related to at least 98.0% of the Contract Files required to be reviewed by such date in accordance with Section 3.03(d) hereof.

(d) The Servicer shall within: (i) one hundred twenty (120) days after the Closing Date and one hundred twenty (120) days after each Distribution Date during the Revolving Period, review at least 75.0% of the Contract Files related to the Loans sold to the Trust on the Closing Date or such Distribution Date, as applicable, to verify the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) of the Contract; and (ii) 180 days after the Closing Date and one hundred eighty (180) days after each Distribution Date during the Revolving Period, review the remainder of the Contract Files related to the Loans sold to the Trust on the Closing Date or such Distribution Date, as applicable, to verify the presence of the original or “authoritative copy” (as such term is used in Section 9-105 of the UCC) of the Contract therein; provided, however, that in the case of each of (i) and (ii) above, the Certificate of Title with respect to each Contract need not be verified. If the number of Incomplete Contracts (or the number of originals of Contracts that have not otherwise been delivered to the Servicer) exceeds the number of Permitted Incomplete Contracts as of any such 120th or 180th day, as applicable, the Seller shall make the payment required by Section 3.02(b) only with respect to the excess number of Incomplete Contracts, in an amount equal to the related Purchase Amount, in accordance with the provisions of Section 3.02(b) hereof.

(f)(ii) carry out such policies and procedures in accordance with its customary actions with respect to the handling and custody of the Dealer Agreements, the Purchase Agreements, Contract Files and Records so that the integrity and physical possession of, or control over, the Dealer Agreements, Purchase Agreements, Contract Files and Records will be maintained.

(g) The Servicer shall have the obligation (i) to physically segregate the Contract Files (to the extent held in physical form) from the other custodial files it is holding for its own account or on behalf of any other Person (ii) to physically mark the Contract folders (to the extent held in physical form) to demonstrate the transfer of Contract Files and the Trust Collateral Agent's security interest hereunder, and (iii) mark its computer records indicating the transfer of any Contract Files relating to Contracts constituting electronic chattel paper and the Trust Collateral Agent's security interest hereunder.

(h)(i) If a Servicer Default occurs, the Trust Collateral Agent shall have the rights set forth in Section 8.01 hereof, including, at the request of the Indenture Trustee, at the direction of the Majority Noteholders, the right to terminate Credit Acceptance as the custodian hereunder and the Trust Collateral Agent shall have the right to appoint a successor custodian hereunder who shall assume all the rights and obligations of the "custodian" hereunder. On the effective date of the termination of Credit Acceptance as Servicer, Credit Acceptance shall be released of all of its obligations as custodian arising on or after such date. Copies of the Dealer Agreements and the Purchase Agreements, and original or "authoritative copies" (as such term is used in Section 9-105 of the UCC) of the Contract Files and Records shall be delivered by Credit Acceptance to the successor custodian, on or before the date which is two (2) Business Days prior to such date.

2.9 Clause (v) of Section 4.06(a) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(v) Preservation of Security Interest. The Servicer will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the perfected security interest of the Indenture Trustee for the benefit of the Noteholders in, to and under the Trust Property. In its capacity as custodian, the Servicer will maintain possession of, or control over, the Dealer Agreements, Purchase Agreements and the Contract Files and Records, as custodian for the Trust and the Trust Collateral Agent, as set forth in Section 3.03(a).

2.10 Section 11.02(e) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(e) The Servicer shall maintain its computer systems so that, from and after the time of sale under this Agreement of the Loans and the related Contracts to the Trust, the Servicer's master computer records (including any back-up archives) that refer to a Loan or Contract shall indicate clearly (including by means of tagging) the interest of the Trust in such Loan or Contract and that such Loan or Contract is owned by the Trust. The Servicer shall at all times maintain "control" within the meaning of the UCC over the Contracts constituting electronic chattel paper. Indication of the Trust's ownership of a Loan or Contract shall be deleted from or modified on the Servicer's computer systems when, and only when, the Loan or Contract shall have been paid in full or repurchased.

2.11 Section 11.02 of the Agreement is hereby amended by adding the following new clause (k) therein:

(k) Prior to the first date on which any Contracts constituting electronic chattel paper are transferred to the Issuer, the following conditions must be satisfied:

(1) with respect to each Rating Agency, either (a) written confirmation to the Indenture Trustee by such Rating Agency that transfer of electronic chattel paper from Credit Acceptance to the Seller and from the Seller to the Issuer will not itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes or (b) such Rating Agency shall have been given notice of such transfer at least ten (10) days prior to the occurrence of the first such transfer and such Rating Agency shall not have issued any written notice to the Indenture Trustee that the occurrence of such transfer will itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes; and

(2) if and to the extent requested by any Rating Agency, such Rating Agency shall have received an Opinion of Counsel (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specified procedures are followed by Credit Acceptance, the security interest (as defined in the UCC) of Credit Acceptance in the electronic chattel paper will be perfected by "control".

Thereafter, satisfaction of the conditions set forth in this clause (k)(1) and (2) shall not be required for any subsequent transfers of Contracts constituting electronic chattel paper to the Issuer.

SECTION 3. Effect of Amendment. Except as expressly amended and modified by this Amendment, all provisions of the Agreement shall remain in full force and effect and each reference to the Agreement and words of similar import in the Agreement, as amended hereby, shall be a reference to the Agreement as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement other than as set forth herein.

SECTION 4. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile or other electronic transmission shall be as effective as delivery of a manually executed counterpart.

SECTION 5. Governing Law. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Execution, Delivery and Validity. Each party hereto represents and warrants to each other party hereto that this Amendment has been duly and validly executed and delivered by such party and constitutes its legal, valid and binding obligation, enforceable against such party in accordance with its terms.

SECTION 7. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 8. Miscellaneous. The Agreement, as supplemented and amended by this Amendment, is in all respects hereby adopted, ratified and confirmed.

*[Signatures begin on the following page]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CREDIT ACCEPTANCE FUNDING LLC 2012-2,  
as Seller

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Treasurer

CREDIT ACCEPTANCE CORPORATION,  
as Servicer and in its individual capacity

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Senior Vice President and Treasurer

CREDIT ACCEPTANCE AUTO LOAN  
TRUST 2012-2, as Issuer

By: U.S. Bank Trust National Association,  
not in its individual capacity but solely as  
Owner Trustee on behalf of the Trust

By: /s/ Annette Morgan

Name: Annette Morgan  
Title: Assistant Vice President

S-2

Amendment No.1 to Sale and Servicing Agreement

---

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trust Collateral Agent

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

S-3

Amendment No.1 to Sale and Servicing Agreement

---

**Perfection Representations, Warranties and Covenants**

In addition to the representations, warranties and covenants contained in the Agreement, the Seller hereby represents, warrants, and covenants to the Trust and the Indenture Trustee as follows on the Closing Date and on each Distribution Date on which the Trust purchases Loans, in each case only with respect to the Seller Property conveyed to the Trust on such Closing Date or the relevant Distribution Date:

**General**

1. The Agreement creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Seller Property in favor of the Trust, which security interest is prior to all other Liens, and is enforceable as such against creditors of and purchasers from and assignees of the Seller.
2. Each Contract constitutes “tangible chattel paper,” “electronic chattel paper” or a “payment intangible” within the meaning of UCC Section 9-102. Each Dealer Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible,” or “tangible chattel paper” within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. The Seller has taken or will take all necessary actions with respect to the Loans to perfect its security interest in the Loans and in the property securing the Loans.

**Creation**

1. The Seller owns and has good and marketable title to the Initial Seller Property or Subsequent Seller Property, as applicable, free and clear of any Lien, claim or encumbrance of any Person, excepting only liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.



### **Perfection**

1. The Seller has caused or will have caused, within ten (10) days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the conveyance and sale of the Conveyed Property from the Originator to the Seller, the transfer and sale of the Seller Property from the Seller to the Issuer, and the security interest in the Collateral granted to the Indenture Trustee under the Indenture.
2. With respect to Seller Property that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). With respect to Seller Property that constitutes electronic chattel paper, the Trust Collateral Agent has received a written acknowledgment from the Servicer that it, maintains control over such “electronic chattel paper”, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). All financing statements filed or to be filed against the Seller in favor of the Issuer or its assignee in connection with this Agreement describing the Seller Property contain a statement to the following effect: “A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party.”

### **Priority**

1. Other than the security interest granted to the Issuer pursuant to this Agreement, the Seller has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Seller Property. None of the Originator, the Servicer nor the Seller has authorized the filing of, or is aware of any financing statements against either the Seller, the Originator or the Trust that includes a description of the Seller Property and proceeds related thereto other than any financing statement: (i) relating to the sale of Conveyed Property by the Originator to the Seller under the Sale and Contribution Agreement, (ii) relating to the security interest granted to the Trust hereunder, (iii) relating to the security interest granted to the Trust Collateral Agent under the Indenture; or (iv) that has been terminated or amended to reflect a release of the Seller Property.
2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.
3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Originator, the Servicer, the Seller, the Trust, a collection agent or the Trust Collateral Agent.

### **Survival of Perfection Representations**

1. Notwithstanding any other provision of the Agreement, the Sale and Contribution Agreement, the Indenture or any other Basic Document, the Perfection Representations, Warranties and Covenants contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer’s rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.

## **No Waiver**

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current ratings of the Notes, waive any of the Perfection Representations, Warranties or Covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the Perfection Representations, Warranties or Covenants, and shall not, without obtaining a confirmation of the then-current ratings of the Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the Perfection Representations, Warranties or Covenants.

## AMENDMENT NO. 1 TO SALE AND CONTRIBUTION AGREEMENT

This AMENDMENT No. 1 TO SALE AND CONTRIBUTION AGREEMENT, dated as of December 20, 2013, 2013 (this "Amendment"), is among Credit Acceptance Corporation, a Michigan corporation ("CAC"), and Credit Acceptance Funding LLC 2012-2, a Delaware limited liability company ("Funding").

### BACKGROUND

WHEREAS, CAC and Funding have entered into the Sale and Contribution Agreement dated as of September 20, 2012 (as may be further amended, supplemented or otherwise modified and in effect from time to time, the "Agreement");

WHEREAS, pursuant to Section 8.1 of the Agreement, the Agreement may be amended by CAC and Funding with the written consent of the Trust Collateral Agent;

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the provisions, covenants and the mutual agreements herein contained, the parties hereto agree as follows:

### AGREEMENT

SECTION 1. Definitions. Capitalized terms defined or referenced in the Agreement and not otherwise defined or referenced herein are used herein as defined or referenced in the Agreement.

#### SECTION 2. Amendments.

2.1 Section 5.1(e) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(e) Preservation of Security Interest. CAC will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and perfect the security interest of Funding in, to and under the Conveyed Property. CAC will maintain possession of, or control over, the Dealer Agreements, Purchase Agreements and the Contract Files and Records, as custodian for the Trust and the Trust Collateral Agent, as set forth in Section 3.03(a) of the Sale and Servicing Agreement. CAC, as Servicer, will comply with its covenants under Section 4.06(a)(v) of the Sale and Servicing Agreement.

2.2 Section 5.2(c) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(c) No Instruments. CAC shall take no action to cause any Loan to be evidenced by any instrument (as defined in the UCC as in effect in the relevant jurisdictions), except for instruments obtained with respect to defaulted Loans that are in the possession, or under the control, of the Servicer in its capacity as custodian for the Trust and the Trust Collateral Agent.

---

2.3 Section 5.2 of the Agreement is hereby amended by adding the following new clause (i) therein:

(i) Electronic Chattel Paper. Prior to the first date on which any Contracts constituting electronic chattel paper are transferred to Funding, the following conditions must be satisfied:

(A) with respect to each Rating Agency, either (a) written confirmation to the Indenture Trustee by such Rating Agency that transfer of electronic chattel paper from CAC to the Seller and from the Seller to the Issuer will not itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes or (b) such Rating Agency shall have been given notice of such transfer at least ten (10) days prior to the occurrence of the first such transfer and such Rating Agency shall not have issued any written notice to the Indenture Trustee that the occurrence of such transfer will itself cause such Rating Agency to downgrade or withdraw its rating assigned to the Class A Notes or the Class B Notes; and

(B) if and to the extent requested by any Rating Agency, such Rating Agency shall have received an Opinion of Counsel (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specified procedures are followed by CAC, the security interest (as defined in the UCC) of CAC in the electronic chattel paper will be perfected by "control" within the meaning of the UCC.

Thereafter, satisfaction of the conditions set forth in this clause (i)(A) and (B) shall not be required for any subsequent transfers of Contracts constituting electronic chattel paper to Funding.

2.4 Section 5.3(a)(xii) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(xii) the failure of a Contract File to contain the relevant original or "authoritative copy" of the Contract (other than pursuant to the provisos in Section 4.1(g) or Section 5.2(a)).

2.5 Exhibit B to the Agreement is hereby amended in its entirety and as so amended shall read as Exhibit B appearing in Annex 1 hereto.

SECTION 3. Effect of Amendment. Except as expressly amended and modified by this Amendment, all provisions of the Agreement shall remain in full force and effect and each reference to the Agreement and words of similar import in the Agreement, as amended hereby, shall be a reference to the Agreement as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement other than as set forth herein.

SECTION 4. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile or other electronic transmission shall be as effective as delivery of a manually executed counterpart.

SECTION 5. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Execution, Delivery and Validity. Each party hereto represents and warrants to each other party hereto that this Amendment has been duly and validly executed and delivered by such party and constitutes its legal, valid and binding obligation, enforceable against such party in accordance with its terms.

SECTION 7. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 8. Miscellaneous. The Agreement, as supplemented and amended by this Amendment, is in all respects hereby adopted, ratified and confirmed.

*[Signatures begin on the following page]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Senior Vice President and Treasurer

CREDIT ACCEPTANCE FUNDING LLC 2012-2

By: /s/ Douglas W. Busk

Name: Douglas W. Busk  
Title: Treasurer

Consented and Acknowledged:

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trust Collateral Agent

By: /s/ Julie Tanner Fischer

Name: Julie Tanner Fischer  
Title: Vice President

S-2

Amendment No. 1 to Sale and Contribution Agreement

---

**Perfection Representations, Warranties And Covenants**

In addition to the representations, warranties and covenants contained in the Agreement, CAC hereby represents, warrants, and covenants to Funding as follows on the Closing Date and on each Distribution Date on which Funding purchases Loans, in each case only with respect to the Conveyed Property conveyed to Funding on such Closing Date or the relevant Distribution Date:

**General**

1. This Agreement creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Conveyed Property in favor of Funding, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from and assignees of CAC.
2. Each Contract constitutes “tangible chattel paper”, “electronic chattel paper,” or a “payment intangible”, within the meaning of UCC Section 9-102. Each Dealer Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible” or “tangible chattel paper” within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. CAC has taken or will take all necessary actions with respect to the Loans to perfect Funding’s security interest in the Loans and in the property securing the Loans.

**Creation**

1. CAC owns and has good and marketable title to the Initial Conveyed Property or Subsequent Conveyed Property, as applicable, free and clear of any Lien, claim or encumbrance of any Person, excepting only (i) liens that will be terminated or amended on the Closing Date or each Distribution Date during the Revolving Period, as applicable, to reflect a release of the Initial Conveyed Property or Subsequent Conveyed Property, as applicable, and (ii) liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.



### **Perfection**

1. CAC has caused or will have caused, within ten days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the contribution and sale of the Conveyed Property from the Originator to Funding, the transfer and sale of the Seller Property from the Seller to the Issuer, and the security interest in the Collateral granted to the Indenture Trustee under the Indenture.

2. With respect to Seller Property that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s).

With respect to Seller Property that constitutes electronic chattel paper, the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer that it, maintains control over such electronic chattel paper, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller and the Trust.

All financing statements filed or to be filed against CAC in favor of Funding in connection with this Sale and Contribution Agreement describing the Conveyed Property contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party."

### **Priority**

1. None of CAC, the Servicer nor Funding has authorized the filing of, or is aware of any financing statements against either Funding, CAC or the Trust that includes a description of the Conveyed Property and proceeds related thereto other than any financing statement: (i) relating to the transfer of Conveyed Property by the Originator to the Seller under the Sale and Contribution Agreement, (ii) relating to the transfer to the Trust under the Sale and Servicing Agreement, (iii) relating to the security interest granted to the Indenture Trustee under the Indenture; or (iv) that will be terminated or amended to reflect a release of the Conveyed Property. Other than the security interest granted to Funding pursuant to this Sale and Contribution Agreement, CAC has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Conveyed Property.

2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.

3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than CAC, the Servicer, Funding, the Trust, a collection agent or the Trust Collateral Agent.

#### **Survival of Perfection Representations**

1. Notwithstanding any other provision of this Agreement, the Sale and Servicing Agreement, the Indenture or any other Basic Document, the perfection representations, warranties and covenants contained in this Exhibit shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.

#### **No Waiver**

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current rating of the Class A and Class B Notes, waive any of the perfection representations, warranties or covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the perfection representations, warranties or covenants, and shall not, without obtaining a confirmation of the then-current rating of the Class A and Class B Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the perfection representations, warranties or covenants.

**FOURTH AMENDMENT TO THE FIFTH  
AMENDED AND RESTATED CREDIT AGREEMENT**

This **Fourth Amendment to the Fifth Amended and Restated Credit Agreement** ("Fourth Amendment") is made as of January 15, 2014 by and among Credit Acceptance Corporation, a Michigan corporation ("Company"), Comerica Bank and the other banks signatory hereto (individually, a "Bank" and collectively, the "Banks") and Comerica Bank, as administrative agent for the Banks (in such capacity, "Agent").

**RECITALS**

- A. Company, Agent and the Banks entered into that certain Fifth Amended and Restated Credit Acceptance Corporation Credit Agreement dated as of June 17, 2011 (as amended by that certain First Amendment to Fifth Amended and Restated Credit Agreement dated June 15, 2012, that certain Second Amendment to Fifth Amended and Restated Credit Agreement dated June 20, 2013, that certain Third Amendment to Fifth Amended and Restated Credit Agreement dated December 9, 2013 and as may be further amended, amended and restated or otherwise modified from time to time, the "Credit Agreement") under which the Banks renewed and extended (or committed to extend) credit to the Company, as set forth therein.
- B. The Company has requested that Agent and the Banks agree to the amendment to the Credit Agreement contained herein and Agent and the Banks are willing to do so, but only on the terms and conditions set forth in this Fourth Amendment.

**NOW, THEREFORE**, Company, Agent and the Banks agree:

1. The definition of "Permitted Guaranties" contained in Section 1 of the Credit Agreement is hereby amended by amending and restating clause (ii) thereof in its entirety as follows:

*"(ii) any guaranties provided by a Significant Domestic Subsidiary of the Company of the Debt outstanding to any of the other Lenders and Permitted Senior Note Refinancing Debt, provided that concurrently with the giving of any such guaranty, such Subsidiary shall (if it has not done so prior to such date) enter into a Guaranty on substantially similar terms for the benefit of the Banks or"*

2. This Fourth Amendment shall become effective according to the terms and as of the date hereof, upon receipt by the Agent of: counterpart originals of (i) this Fourth Amendment, duly executed and delivered by the Company and the requisite Banks, and (ii) a Reaffirmation of Loan Documents duly executed and delivered by the Guarantors.

Agent shall give notice to Company and the Banks of the occurrence of the effectiveness of this Fourth Amendment.

---

3. Company hereby certifies that (a) all necessary actions have been taken by the Company to authorize execution and delivery of this Fourth Amendment and (b) after giving effect to this Fourth Amendment, no Default or Event of Default has occurred and is continuing on the proposed effective date of this Fourth Amendment..

4. The Company ratifies and confirms, as of the date hereof and after giving effect to the amendments contained herein, each of the representations and warranties set forth in Sections 6.1 through 6.18, inclusive, of the Credit Agreement and acknowledges that such representations and warranties are and shall remain continuing representations and warranties during the entire life of the Credit Agreement.

5. Except as specifically set forth above, this Fourth Amendment shall not be deemed to amend or alter in any respect the terms and conditions of the Credit Agreement, any of the Notes issued thereunder or any of the other Loan Documents, or to constitute a waiver by the Banks or Agent of any right or remedy under or a consent to any transaction not meeting the terms and conditions of the Credit Agreement, any of the Notes issued thereunder or any of the other Loan Documents.

6. Unless otherwise defined to the contrary herein, all capitalized terms used in this Fourth Amendment shall have the meaning set forth in the Credit Agreement.

7. This Fourth Amendment may be executed in counterpart in accordance with Section 13.10 of the Credit Agreement.

8. This Fourth Amendment shall be construed in accordance with and governed by the laws of the State of Michigan.

**[Signatures Follow on Succeeding Pages]**

**WITNESS** the due execution hereof as of the day and year first above written.

**COMERICA BANK,**  
as Administrative Agent, Sole Lead Arranger,  
and Collateral Agent

By: /s/ Paul G. Russo

Its: Vice President

Signature Page to CAC Fourth Amendment

---

**CREDIT ACCEPTANCE  
CORPORATION**

By: /s/ Douglas W. Busk  
Douglas W. Busk

Its: Treasurer

Signature Page to CAC Fourth Amendment

---

**BANK OF AMERICA, N.A., as Co-Syndication  
Agent, and a Bank**

By: /s/ Mitchell Dangremond

Its: Vice President

Signature Page to CAC Fourth Amendment

---

**BANK OF MONTREAL, as Co-Documentation  
Agent and a Bank**

By: /s/ Catherine Blaesing\_\_\_\_\_

Its: Director

Signature Page to CAC Fourth Amendment

---



**FIFTH THIRD BANK, an Ohio banking  
corporation, successor by merger with FIFTH  
THIRD BANK, a Michigan banking  
corporation, as Co-Documentation Agent and a  
Bank**

By: /s/ Jessica Pfeifer

Its: Vice President

Signature Page to CAC Fourth Amendment

---

**RBS CITIZENS, N.A., as Co-Syndication Agent  
and a Bank**

By: /s/ Michael A. Farley\_\_\_\_\_

Its: Vice President

Signature Page to CAC Fourth Amendment

---

**JPMORGAN CHASE BANK, N.A.**

By: /s/ Timothy Rettberg \_\_\_\_\_  
Timothy Rettberg

Its: Vice President

Signature Page to CAC Fourth Amendment

---

**THE HUNTINGTON NATIONAL BANK**

By: /s/ Tara Donovan

Its: Vice President

Signature Page to CAC Fourth Amendment

---

**ISRAEL DISCOUNT BANK OF NEW YORK**

By: /s/ Rahum Williams

Its: First Vice President

By: /s/ Barry Solomon

Its: First Vice President

Signature Page to CAC Fourth Amendment

---

**FLAGSTAR BANK, fsb**

By: /s/ Thomas Kuslits

Its: Executive Vice President

Signature Page to CAC Fourth Amendment

---

**CREDIT ACCEPTANCE CORPORATION  
RESTRICTED STOCK UNIT AWARD AGREEMENT**

Credit Acceptance Corporation (the “**Company**”) hereby grants you, <<NAME>> (**Participant**), a Restricted Stock Unit Award (the “**Award**”) under the Credit Acceptance Corporation 2004 Incentive Compensation Plan, as amended and approved by the shareholders of the Company through March 26, 2012 (the “**Plan**”). The terms and conditions of the Award are set forth below.

GRANT DATE: <<DATE>>

NUMBER OF RESTRICTED STOCK UNITS: <<NUMBER>>

PERFORMANCE PERIOD: 20XX through 20XX

PERFORMANCE MEASURE: Restricted Stock Units will vest based upon the Compound Annual Growth Rate of Adjusted EPS as set forth in Appendix A to this Agreement.

THIS AGREEMENT, effective as of the Grant Date above, represents the grant of Restricted Stock Units by the Company to the Participant named above, pursuant to the provisions of the Plan and this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. Performance Period. The Performance Period commences on **January 1, 20XX** and ends on **December 31, 20XX**.
  2. Value of Restricted Stock Units. Each Restricted Stock Unit shall represent and have a value equal to one share of common stock, par value \$0.01, of the Company, subject to adjustment as provided in Section 6.01 of the Plan.
  3. Restricted Stock Units and Achievement of Performance Goal. Restricted Stock Units shall vest ratably over the Performance Period in accordance with the provisions of Appendix A provided that the Company achieves the performance goals set forth on Appendix A and Participant is providing services to the Company through the date on which the Committee certifies achievement of such goals (the "Vesting Date").
  4. Termination Provisions. Participant shall be eligible for payment of vested Restricted Stock Units on the Payment Date (as defined in Section 6 of this Agreement) provided that Participant is providing services to the Company through the applicable Vesting Date, regardless of whether the Participant is providing services to the Company through the Payment Date.
  5. Dividend Equivalents. During the Performance Period, the Company shall credit to Participant, on each date that the Company pays a cash dividend to holders of common stock generally, an additional number of Restricted Stock Units (“Additional Restricted Stock Units”) equal to the total number of whole Restricted Stock Units and Additional Restricted Stock Units previously credited to Participant under this Agreement 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. Any fractional Restricted Stock Unit resulting from such calculation shall be included in the Additional Restricted Stock Units. A report showing the number of Additional Restricted Stock Units so credited shall be sent to Participant periodically, as determined by the Company. The Additional Restricted Stock Units so credited shall be subject to the same terms and conditions as the Restricted Stock Units granted pursuant to this Agreement and the Additional Restricted Stock Units shall be forfeited in the event that the Restricted Stock Units with respect to which the dividend equivalents were paid are forfeited.
-

6. Form and Timing of Restricted Stock Units. Except as set forth in Section 11 of this Agreement, payment of the vested Restricted Stock Units shall be made in stock and payment of the earned and vested Restricted Stock Units shall be made on (or within seven days following) **February XX, 20XX** (the "Payment Date").
  7. Tax Withholding. Notwithstanding any contrary provision of this Award Agreement, Restricted Stock Units may not be paid pursuant to paragraph 6 unless and until satisfactory arrangements (as determined by the Committee) are made by the Participant with respect to the payment of income and employment taxes, if any, which the Company determines must be withheld with respect to payment of the Restricted Stock Units. The Participant may satisfy tax withholding obligations, if any, in whole or in part, pursuant to such procedures as the Committee may specify from time to time, by (a) electing to have the Company withhold otherwise vested Restricted Stock Units, (b) delivering to the Company already vested and owned shares having a fair market value equal to the minimum amount required to be withheld, (c) delivering to the Company cash or check, or (d) to the extent permitted by the Company and applicable law, electing to have the Company reduce future compensation payable in the same taxable year as the tax obligations become due. If the Participant does not deposit with the Company (on or before the date taxes are to be remitted by the Company) the full required amount then due for taxes, if any, the Company may sell (in a market transaction or in a non-market transaction at the market price) or withhold sufficient vested shares held for the Participant.
  8. Nontransferability. Restricted Stock 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.
  9. Administration. This Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Participant. Any inconsistency between the Agreement and the Plan shall be resolved in favor of the Plan.
-



10. Specific Restrictions upon Shares. The Participant hereby agrees with the Company as follows:

- a. The Participant shall acquire the shares issuable with respect to the Restricted Stock Units granted hereunder for investment purposes only not with a view of resale or other distribution thereof to the public in violation of the Securities Act of 1933, as amended (the "1933 Act") and shall not dispose of any such shares in transactions which, in the opinion of counsel to the Company, violate the 1933 Act, or the rules and regulations thereunder, or any applicable state securities or "blue Sky" laws.
- b. If any shares acquired with respect to the Restricted Stock Units shall be registered under the 1933 Act, no public offering (otherwise than on a national securities exchange, as defined in the Exchange Act) of any such shares shall be made by the Participant under such circumstances that he or she (or such other person) may be deemed an underwriter, as defined in the 1933 Act.

11. Miscellaneous.

- a. Change in Control. Notwithstanding anything to the contrary in this Agreement, in the event of a Change in Control, as provided by Section 6.02 of the Plan, (i) the restrictions applicable to the Restricted Stock Units granted under this Agreement shall lapse, the Performance Goal shall be deemed to have been achieved, and all other terms and conditions shall be deemed to have been satisfied and (ii) each Restricted Stock Unit shall be terminated on the Change in Control in exchange for a cash payment equal to the fair market value of the Restricted Stock Units, payable within thirty (30) days following the Change in Control.
  - b. Adjustments to Shares. In the event of any merger, reorganization, recapitalization, stock dividend, stock split, extraordinary distribution with respect to the Stock or other change in corporate structure affecting the Stock, the Committee or Board of Directors of the Company will make such substitution or adjustments in the aggregate number and kind of shares of Stock subject to this Restricted Stock Unit Award to prevent dilution of rights.
  - c. Notices. Any written notice required or permitted under this Agreement shall be deemed given when delivered personally, as appropriate either to the Participant or to the Human Resources Department of the Company, or when deposited in a United States Post Office as registered mail, postage prepaid, addressed as appropriate either to the Participant at his or her address as he or she may designate in writing to the Company, or to the Attention: Human Resources Department, Credit Acceptance Corporation, at its headquarters office or such other address as the Company may designate in writing to the Participant.
  - d. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.
  - e. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by and construed according to the laws of the State Michigan.
-

- f. Provision of Plan. The Restricted Stock Units provided for herein and granted pursuant to the Plan, and said Restricted Stock Units and this Agreement are in all respects governed by the Plan and subject to all of the terms and provisions thereof, whether such terms and provisions are incorporated in this Agreement, solely by reference or expressly cited herein. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement.
- g. Section 16 Compliance. If the Participant is subject to Section 16 of the Exchange Act, except in the case of death or disability, or unless otherwise exempt, at least six months must elapse from the date of grant of the Restricted Stock Units hereunder to the date of the Participant's disposition of such Restricted Stock Units or the underlying shares of stock.
- h. The Restricted Stock Units are intended to comply with Section 409A of the Code and shall be interpreted in accordance with Section 409A of the Code and Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the awards are granted. Notwithstanding any provision of the Plan or the Agreement to the contrary, in the event that the Committee determines that any award may or does not comply with Section 409A of the Code, the Company may adopt such amendments to the award (without Participant consent) or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (i) exempt the award from the application of Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to award, or (ii) comply with the requirements of Section 409A of the Code.

IN WITNESS WHEREOF, the Credit Acceptance Corporation has executed this Agreement in duplicate on the \_\_\_\_ day of \_\_\_\_\_, 2014.

CREDIT ACCEPTANCE CORPORATION

BY: \_\_\_\_\_

PRINT NAME:

It:

I, acknowledge receipt of a copy of the Plan (either as an attachment hereto or that has been previously received by me) and that I have carefully read this Award Agreement and the Plan. I agree to be bound by all of the provisions set forth in this Award Agreement and the Plan.

BY: \_\_\_\_\_

---

## Appendix A

On each anniversary of the commencement of the Performance Period, a portion of the Restricted Stock Units shall be eligible to vest in accordance with the performance schedule below, provided Participant is employed by the Company through the date on which the Committee certifies achievement of such goals. Vesting for each year of the Performance Period shall be determined as follows:

### Year 1

- If the Compound Annual Growth Rate of Adjusted EPS is at least 5%, one-third (33.3%) of the Restricted Stock Units shall vest.
- If the Compound Annual Growth Rate of Adjusted EPS is less than 5%, no Restricted Stock Units shall vest.

### Year 2

- If the Compound Annual Growth Rate of Adjusted EPS is at least 5%, one-third (33.3%) of the Restricted Stock Units shall vest. In addition, any Restricted Stock Units that were eligible to vest in Year 1, but did not vest in Year 1, shall vest.
- If the Compound Annual Growth Rate of Adjusted EPS is less than 5%, no Restricted Stock Units shall vest.

### Year 3

- If the Compound Annual Growth Rate of Adjusted EPS is at least 5%, one-third (33.4%) of the Restricted Stock Units shall vest. In addition, any Restricted Stock Units that were eligible to vest in Year 1 and Year 2, but did not vest in Year 1 or Year 2, shall vest.
- If the Compound Annual Growth Rate of Adjusted EPS is less than 5%, no Restricted Stock Units shall vest.

The number of vesting Restricted Stock Units shall be rounded up, if necessary, to the next higher whole number of shares. Once the Restricted Stock Units vest, they shall remain vested regardless of the future performance of the Company.

“**Adjusted EPS**” means the Company’s calculation of adjusted net income per diluted share as reported in the Company’s quarterly earnings releases. Adjusted net income per diluted share is equal to adjusted net income divided by the weighted average number of diluted shares outstanding. Adjusted net income represents GAAP net income adjusted for certain items, including:

- The Floating Yield Adjustments as reported in the Company’s quarterly earnings releases,
  - Adjustments made to eliminate the impact of different accounting treatments of certain items in the periods being compared,
  - Adjustments made to eliminate the impact of non-recurring items,
  - Adjustments made to eliminate the non-cash impact of valuing interest rate derivative products at fair value,
  - Adjustments made to eliminate the results of discontinued operations,
  - Adjustments made to eliminate any inconsistency in the tax rates used in the periods being compared.
-

“*Compound Annual Growth Rate of Adjusted EPS*” means the year-over-year growth rate of Adjusted EPS over the Performance Period. The compound annual growth rate shall be calculated as follows for each year of the Performance Period:

- Year 1: (Year 1 Adjusted EPS divided by Base Year Adjusted EPS) minus 1
- Year 2: ((Year 2 Adjusted EPS divided by Base Year Adjusted EPS) raised to the power of 1/2) minus 1
- Year 3: ((Year 3 Adjusted EPS divided by Base Year Adjusted EPS) raised to the power of 1/3) minus 1

“*Base Year Adjusted EPS*” means the Adjusted EPS for the year immediately preceding the Performance Period.

Vesting Examples

Using a hypothetical grant of 300 Restricted Stock Units, the following table illustrates the number of Restricted Stock Units that would vest under four Adjusted EPS growth scenarios:

	Base Year	Performance Period			Total Vested
		Year 1	Year 2	Year 3	
Example 1					
Adjusted EPS	\$ 1.00	\$ 1.06	\$ 1.12	\$ 1.18	
Compound Annual Growth Rate of Adjusted EPS		6.0%	5.8%	5.7%	
Vesting (Number of Restricted Stock Units)		100	100	100	300
Example 2					
Adjusted EPS	\$ 1.00	\$ 1.04	\$ 1.10	\$ 1.14	
Compound Annual Growth Rate of Adjusted EPS		4.0%	4.9%	4.5%	
Vesting (Number of Restricted Stock Units)		0	0	0	0
Example 3					
Adjusted EPS	\$ 1.00	\$ 1.04	\$ 1.12	\$ 1.18	
Compound Annual Growth Rate of Adjusted EPS		4.0%	5.8%	5.7%	
Vesting (Number of Restricted Stock Units)		0	200	100	300
Example 4					
Adjusted EPS	\$ 1.00	\$ 1.06	\$ 1.12	\$ 1.14	
Compound Annual Growth Rate of Adjusted EPS		6.0%	5.8%	4.5%	
Vesting (Number of Restricted Stock Units)		100	100	0	200



**Credit Acceptance Corporation**

**Schedule of Credit Acceptance Corporation Subsidiaries**

The following is a list of subsidiaries as of the date of this filing of Credit Acceptance Corporation, other than subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary, as defined by the Securities and Exchange Commission Regulation S-X.

Buyers Vehicle Protection Plan, Inc.	Credit Acceptance Auto Loan Trust 2013-2
CAC International Holdings, LLC	Credit Acceptance Corporation of South Dakota, Inc.
CAC of Canada Company	Credit Acceptance Funding LLC 2010-1
CAC Reinsurance, Ltd.	Credit Acceptance Funding LLC 2011-1
CAC Scotland	Credit Acceptance Funding LLC 2012-1
CAC Warehouse Funding Corporation II	Credit Acceptance Funding LLC 2012-2
CAC Warehouse Funding III, LLC	Credit Acceptance Funding LLC 2013-1
CAC Warehouse Funding LLC IV	Credit Acceptance Funding LLC 2013-2
Credit Acceptance Auto Loan Trust 2011-1	Credit Acceptance Wholesale Buyers Club, Inc.
Credit Acceptance Auto Loan Trust 2012-1	Vehicle Remarketing Services, Inc.
Credit Acceptance Auto Loan Trust 2012-2	VSC Re Company
Credit Acceptance Auto Loan Trust 2013-1	

---

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 14, 2014, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Credit Acceptance Corporation and subsidiaries on Form 10-K for the year ended December 31, 2013. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Credit Acceptance Corporation and subsidiaries on Form S-3 (File Nos. 333-18301 and 333-187778) and on Forms S-8 (File Nos. 333-67348, 333-91734, 333-111831, 333-120756 and 333-187105).

/s/ Grant Thornton LLP

Southfield, Michigan  
February 14, 2014

---

## Credit Acceptance Corporation

CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Brett A. Roberts, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2013 of Credit Acceptance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2014

By: /s/ Brett A. Roberts  
Brett A. Roberts  
Chief Executive Officer  
(Principal Executive Officer)

---

## Credit Acceptance Corporation

CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth S. Booth, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2013 of Credit Acceptance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2014

By: /s/ Kenneth S. Booth  
Kenneth S. Booth  
Chief Financial Officer  
(Principal Financial Officer)



**Credit Acceptance Corporation****CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Credit Acceptance Corporation (the "Company") for the period ending December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brett A. Roberts, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2014

By: /s/ Brett A. Roberts  
Brett A. Roberts  
Chief Executive Officer  
(Principal Executive Officer)

---

**Credit Acceptance Corporation****CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Credit Acceptance Corporation (the "Company") for the period ending December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth S. Booth, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2014

By: /s/ Kenneth S. Booth  
Kenneth S. Booth  
Chief Financial Officer  
(Principal Financial Officer)

---