UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

_____, Individually and on behalf of all others similarly situated, Plaintiff, v. CREDIT ACCEPTANCE CORP., BRETT A. ROBERTS, and KENNETH S. BOOTH, Defendants.	Case No: CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS JURY TRIAL DEMANDED

Plaintiff _____ ("Plaintiff"), individually and on behalf of all other persons similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff's own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the Defendants' public documents, conference calls and announcements made by Defendants, public filings, wire and press releases published by and regarding Credit Acceptance Corp. ("Credit Acceptance" or the "Company"), and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired publicly traded Credit Acceptance securities between February 9, 2018 and January 4, 2023, inclusive (the "Class Period"). Plaintiff seeks to recover compensable damages caused by Defendants' violations of the federal securities laws under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C. §78aa).

4. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged misstatements entered and the subsequent damages took place in this judicial district.

5. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased Credit Acceptance securities during the Class Period and was economically damaged thereby.

7. Defendant Credit Acceptance purports to offer financing programs that enable automobile dealers to sell vehicles to consumers, regardless of their credit history. Credit Acceptance is incorporated in Michigan and its headquarters are located at 25505 West Twelve Mile Road, Southfield, MI, 48034. Credit Acceptance's shares trade on the NASDAQ stock exchange ("NASDAQ") under the ticker symbol "CACC."

8. Defendant Brett A. Roberts ("Roberts") has served as the Company's Chief Executive Officer ("CEO") from the start of the class period to May 3, 2021.

9. Defendant Kenneth S. Booth ("Booth") has served as the Company's Chief Financial Officer ("CFO") throughout the Class Period. Defendant booth has also served as the Company's CEO from May 2021 and at all relevant times thereafter.

10. Defendants Roberts and Booth are collectively referred to herein as the "Individual Defendants."

11. Each of the Individual Defendants:

(a) directly participated in the management of the Company;

(b) was directly involved in the day-to-day operations of the Company at the highest levels;

(c) was privy to confidential proprietary information concerning the Company and its business and operations;

(d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;

(e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;

(f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or

(g) approved or ratified these statements in violation of the federal securities laws.

12. Credit Acceptance is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

13. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to Credit Acceptance under *respondeat superior* and agency principles.

14. Defendants Credit Acceptance and the Individual Defendants are collectively referred to herein as "Defendants."

SUBSTANTIVE ALLEGATIONS

Materially False and Misleading Statements Issued During the Class Period

15. The Class Period begins on February 9, 2018, when Credit Acceptance filed its form 10-K with the SEC for the fiscal year ending December 31, 2017 ("2017 10-K"). The 2017 10-K was signed by Defendants Roberts and Booth. Attached to the 2017 10-K were certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") signed by Defendants Roberts and Booth attesting to the disclosure of all fraud.

16. The 2017 10-K touted how the Company and its network of dealers comply with applicable federal and state regulations, as well as underwriting guidelines set by the Company. In pertinent part, the 2017 10-K stated:

"*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.***

* * *

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, 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.***

* * *

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, our Dealer Service Center works closely with Dealers to assist them in resolving any documentation deficiencies or funding stipulations. We believe this arrangement causes the interests of the Dealer, the consumer and us to all be aligned.

* * *

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."

(Emphasis added)

17. The 2017 10-K also described Credit Acceptance's process for assigning consumer loans using the Company's proprietary credit scoring system, as well as collection efforts by the Company. The 2017 10-K stated, in relevant part:

"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 our 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, electronically execute 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.

* * *

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 efficiently contact 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.***

(Emphasis added)

18. On February 11, 2022, Credit Acceptance filed its Form 10-K for the fiscal year ended December 31, 2021 ("2021 10-K"). Attached to the 2021 10-K were SOX certifications signed by Defendant Booth attesting to the disclosure of all fraud.

19. The 2021 10-K also discussed Credit Acceptance's business model, and how its dealers complied with federal and state laws and the Company's underwriting guidelines. The 2021 10-K stated, in pertinent part:

"*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.***

* * *

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, 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 our underwriting guidelines and the cost of verifying employment, residence and other information provided by the Dealer.***

* * *

Our business model allows us to share the risk and reward of collecting on the Consumer Loans with the Dealers, more so with the Portfolio Program than the Purchase Program. ***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, our Dealer Service Center works closely with Dealers to assist them in resolving any documentation deficiencies or funding stipulations. We believe this arrangement causes the interests of the Dealer, the consumer and us to all be aligned.

* * *

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, prohibitions against unfair, deceptive and abusive acts and practices, 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. 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.

(Emphasis added)

20. The 2021 10-K also discussed how the Company's assigned consumer loans using the

Company's proprietary credit scoring system, as well as collection efforts by the Company. The 2021 10-K stated, in relevant part:

> "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 our pursuing payment through collection efforts.***
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> 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, electronically execute and print legally compliant 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 a 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.
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> *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 efficiently contact the consumer. We utilize text messaging and email as additional means to contact 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.***"
>
> (Emphasis added)

21. The statements contained in ¶¶15-20 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Credit Acceptance's business practices obscured the true cost of financing; (2) Credit Acceptance violated federal and state laws surrounding consumer protection; (3) these deceptive practices and violations of federal and state regulations were reasonably likely to lead to regulatory scrutiny; and (4) as a result, Defendants' statements about its business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all relevant times.

THE TRUTH EMERGES

22. On January 4, 2023, the Consumer Finance Protection Bureau ("CFPB") and the Office of the Attorney General of the State of New York ("NY AG") filed a lawsuit against Credit Acceptance alleging deceptive business practices. In pertinent part, the lawsuit alleged:

> "Credit Acceptance Corporation makes predatory loans to millions of financially vulnerable consumers trying to buy a used vehicle. CAC's loans carry exorbitant interest rates, are loaded with expensive add-on products, and saddle borrowers with debts that even CAC believes the borrowers often cannot afford to repay in full. ***CAC aggressively markets itself as an alternative for consumers with limited credit options and touts its loans as a way for consumers to build their credit and gain financial freedom. But CAC is often setting up consumers to fail.***

* * *

CAC has created a complex algorithm to predict how much it will collect from consumers over the life of a loan—not just from consumers' monthly payments, but also from potential collection efforts, repossessions, auctions, and deficiency judgments if the consumer defaults. ***CAC scores each loan using this algorithm, but it does not use its score to determine whether to offer a loan to the consumer, whether the consumer can afford the loan, or what interest rate to offer. CAC's lending model is indifferent as to a consumers' ability to repay loans in full. CAC instead uses this score to predict how much money it expects to collect on the loan.***

CAC has created a complex algorithm to predict how much it will collect from consumers over the life of a loan—not just from consumers' monthly payments, but also from potential collection efforts, repossessions, auctions, and deficiency judgments if the consumer defaults. CAC scores each loan using this algorithm, but it does not use its score to determine whether to offer a loan to the consumer, whether the consumer can afford the loan, or what interest rate to offer. CAC's lending model is indifferent as to a consumers' ability to repay loans in full. CAC instead uses this score to predict how much money it expects to collect on the loan.

This means the principal amounts in CAC loans are often artificially inflated and far exceed the amount CAC expects to collect on the loan or has paid to its dealers. And because CAC has shifted the cost of the credit into the principal amount instead of the interest rate, consumers do not know they are paying these hidden costs of credit to finance their vehicles.

The true cost of CAC credit is higher than what is disclosed on the CAC loan agreements, so many of the loans actually exceed state usury caps. In New York alone, more than 84% of CAC loans exceeded the 25% penal usury cap.

* * *

Plaintiffs allege that CAC engaged in deceptive and abusive acts or practices in violation of the Consumer Financial Protection Act of 2010 (the "CFPA"), 12 U.S.C. §§ 5531(a), 5536(a)(1), 5536(a)(3), by obscuring the cost of credit for auto loans and taking unreasonable advantage of consumers' lack of understanding of the risk of default and the severity of the consequences, as well as their inability to protect their interests, and for providing substantial assistance to dealers, even though CAC knew or should have known the dealers were misrepresenting the voluntary nature of add-on products.

Plaintiff New York State Office of the Attorney General ("OAG") also alleges that CAC has ***violated New York Executive Law § 63(12) by engaging in***

> ***repeated and persistent fraudulent and illegal conduct***, including misstating the cost of credit, entering into unconscionable contractual terms, and violating the state-law statutory disclosure regimes set out in the New York Personal Property Law. CAC likewise violated New York General Business Law ("GBL") § 349 by engaging in these same deceptive business practices.
>
> Finally, Plaintiff OAG alleges that because ***CAC violated the CFPA and New York law, CAC also violated the Martin Act, New York GBL § 352 et. seq. Specifically, CAC offloaded its high-cost loans and their associated risks from its books by securitizing portfolios of loans and selling those securities to unwitting investors***, thereby obtaining financing to engage in additional abusive and deceptive lending practices. To do so, CAC falsely represented to bookrunners, investors and rating agencies that the underlying loans complied with all applicable state and federal disclosure and consumer protection laws. They did not."
>
> (Emphasis added)

23. On this news, Credit Acceptance share prices fell $52.69 per share, or over 11% to close at $403.49 per share on January 4, 2023, damaging investors.

24. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's shares, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

25. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired Credit Acceptance securities publicly traded on NASDAQ during the Class Period, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of Credit Acceptance, members of the Individual Defendants' immediate families and their legal representatives, heirs, successors or assigns and any entity in which Officer or Director Defendants have or had a controlling interest.

26. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Credit Acceptance securities were actively traded on the

NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

27. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

28. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

29. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the Exchange Act were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the financial condition and business of Credit Acceptance;
- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- whether the Defendants caused Credit Acceptance to issue false and misleading filings during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false filings;

- whether the prices of Credit Acceptance securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

30. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

31. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Credit Acceptance shares met the requirements for listing, and were listed and actively traded on the NASDAQ, an efficient market;
- As a public issuer, Credit Acceptance filed periodic public reports;
- Credit Acceptance regularly communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;
- Credit Acceptance's securities were liquid and traded with moderate to heavy volume during the Class Period; and

- Credit Acceptance was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

32. Based on the foregoing, the market for Credit Acceptance securities promptly digested current information regarding Credit Acceptance from all publicly available sources and reflected such information in the prices of the shares, and Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

33. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information as detailed above.

COUNT I
For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder
Against All Defendants

34. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

35. This Count is asserted against Defendants is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

36. During the Class Period, Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

37. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;

- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Credit Acceptance securities during the Class Period.

38. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of Credit Acceptance were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of Credit Acceptance, their control over, and/or receipt and/or modification of Credit Acceptance's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning Credit Acceptance, participated in the fraudulent scheme alleged herein.

39. Individual Defendants, who are the senior officers and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other Credit Acceptance personnel to members of the investing public, including Plaintiff and the Class.

40. As a result of the foregoing, the market price of Credit Acceptance securities was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of Credit Acceptance securities during the Class Period in purchasing Credit Acceptance securities at prices that were artificially inflated as a result of Defendants' false and misleading statements.

41. Had Plaintiff and the other members of the Class been aware that the market price of Credit Acceptance securities had been artificially and falsely inflated by Defendants' misleading statements and by the material adverse information which Defendants did not disclose, they would not have purchased Credit Acceptance securities at the artificially inflated prices that they did, or at all.

42. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

43. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of Credit Acceptance securities during the Class Period.

COUNT II
Violations of Section 20(a) of the Exchange Act
Against the Individual Defendants

44. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

45. During the Class Period, the Individual Defendants participated in the operation and management of Credit Acceptance, and conducted and participated, directly and indirectly, in the conduct of Credit Acceptance's business affairs. Because of their senior positions, they

knew the adverse non-public information about Credit Acceptance's misstatement of revenue and profit and false financial statements.

46. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Credit Acceptance's financial condition and results of operations, and to correct promptly any public statements issued by Credit Acceptance which had become materially false or misleading.

47. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Credit Acceptance disseminated in the marketplace during the Class Period concerning Credit Acceptance's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Credit Acceptance to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Credit Acceptance within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Credit Acceptance securities.

48. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Credit Acceptance.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment and relief as follows:

(a) declaring this action to be a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead Counsel;

(b) awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;

awarding plaintiff and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) awarding plaintiff and other members of the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.