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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009 Commission file number 000-50552

Asset Acceptance Capital Corp.
(Exact name of registrant as specified in its charter)

Delaware	**80-0076779**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

28405 Van Dyke Avenue
Warren, Michigan 48093
(Address of principal executive offices)

Registrant's telephone number, including area code:
(586) 939-9600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	**The NASDAQ Global Select Market**

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 (§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 (§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 the 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 ☐ (Do not check if a smaller reporting company)	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 the registrant's Common Stock held by non-affiliates of the registrant on June 30, 2009 (based on the June 30, 2009 closing sales price of $7.69 of the registrant's Common Stock, as reported on The NASDAQ Global Select Market on such date) was $114,928,880.

Number of shares outstanding of the registrant's Common Stock, $0.01 par value, at February 26, 2010:
30,603,708 shares of Common Stock, $0.01 par value.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Asset Acceptance Capital Corp.

We have audited the accompanying consolidated statements of financial position of Asset Acceptance Capital Corp. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the two years in the period ended December 31, 2009. 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 consolidated financial position of Asset Acceptance Capital Corp. and subsidiaries as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2009 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), Asset Acceptance Capital Corp. and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 12, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ GRANT THORNTON LLP

Southfield, Michigan
March 12, 2010

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9. Share-Based Compensation

The Company adopted a stock incentive plan (the “Stock Incentive Plan”) during February 2004 that authorizes the use of stock options, stock appreciation rights, restricted stock grants and units, performance share awards and annual incentive awards to eligible key associates, non-associate directors and consultants. The Company reserved 3,700,000 shares of common stock for issuance in conjunction with share-based awards to be granted under the plan of which 2,381,376 shares remain available to be granted as of December 31, 2009. The purpose of the plan is (i) to promote the best interests of the Company and its stockholders by encouraging associates and other participants to acquire an ownership interest in the Company, thus aligning their interests with those of stockholders and (ii) to enhance the ability of the Company to attract and retain qualified associates, non-associate directors and consultants. No participant may be granted options during any one fiscal year to purchase more than 500,000 shares of common stock.

The Company amended its Stock Incentive Plan in May 2007 to expand an anti-dilution provision of the plan. The additional compensation expense resulting from the amendment to the Stock Incentive Plan for the year ended December 31, 2007 was $526,757.

As discussed in Note 3, “Recapitalization” the Company commenced a recapitalization transaction, including declaration of a special one-time cash dividend, in the second quarter of 2007. The payment of the special one-time cash dividend resulted in an increase in the number of deferred stock units outstanding and a change to the exercise price and number of outstanding stock options under the anti-dilution provisions of the Stock Incentive Plan. The methodology used to adjust the awards was consistent with Internal Revenue Code Section 409A and 424 and the proposed regulations promulgated thereunder, compliance with which was necessary to avoid adverse tax consequences for the holders of awards. Such methodology also resulted in the fair value of the adjusted awards post-dividend to be equal to that of the unadjusted awards pre-dividend, which required no additional compensation expense in accordance with accounting for modifications to shared-based compensation awards.

Based on historical experience, the Company uses an annual forfeiture rate of 15% for associate grants. Grants made to non-associate directors have no forfeiture rates associated with them due to immediate vesting of grants to this group. Total share-based compensation expense recognized in the accompanying consolidated statements of operations was $1,328,402, $1,305,298 and $1,458,768 for the years ended December 31, 2009, 2008 and 2007, respectively. The total tax benefit related to the Stock Incentive Plan was $496,096, $497,420 and $554,457 for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company’s share-based compensation arrangements are described below.

Stock Options

The Company utilizes the Whaley Quadratic approximation model, an intrinsic value method, to calculate the fair value of the stock awards on the date of grant using the assumptions noted in the following table. Changes to the subjective input assumptions can result in different fair market value estimates. With regard to the Company’s assumptions stated below, the expected volatility is based on the historical volatility of the Company’s stock and management’s estimate of the volatility over the contractual term of the options. The expected term of the options are based on management’s estimate of the period of time for which the options are expected to be outstanding. The risk-free rate is derived from the five-year U.S. Treasury yield curve on the date of grant.

Options issue year:	2009	2008	2007
Expected volatility	51.37%-54.53%	46.50%	45.30%-46.92%
Expected dividends	0.00%	0.00%	0.00%
Expected term	5 Years	5 Years	5 Years
Risk-free rate	1.98%-2.06%	3.09%	3.42%-4.98%

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As of December 31, 2009, the Company had options outstanding for 930,417 shares of its common stock under the Stock Incentive Plan. These options have been granted to key associates and non-associate directors of the Company. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant and have contractual terms ranging from seven to ten years. The options granted to key associates generally vest between one and five years from the grant date whereas the options granted to non-associate directors generally vest immediately. The fair value of stock options is expensed on a straight-line basis over the vesting period.

The related compensation expense was as follows:

	Years Ended December 31,		
	2009	2008	2007(3)
Administrative expenses(1)	$166,937	$205,045	$1,086,378
Salaries and benefits(2)	355,046	295,743	195,078
Total	$521,983	$500,788	$1,281,456

(1) Administrative expenses include amounts for non-associate directors.

(2) Salaries and benefits include amounts for associates.

(3) Included in these expenses is $476,266 in administrative expenses and $50,491 in salaries and benefits expense relating to the 2007 amendment to the Stock Incentive Plan.

The following table summarizes all stock option transactions from January 1, 2009 through December 31, 2009:

	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Beginning balance	712,991	$ 13.89		
Granted	243,229	4.40		
Forfeited or expired	(25,803)	9.41		
Outstanding at December 31, 2009	930,417	11.54	6.53	$632,303
Exercisable at December 31, 2009	613,079	$ 14.38	6.45	$ —

The weighted-average fair value of options granted during the years ended December 31, 2009, 2008 and 2007 was $2.06, $5.86 and $4.94 (as adjusted for the special one-time cash dividend paid on July 31, 2007), respectively. No options were exercised during 2009, 2008 and 2007.

As of December 31, 2009, there was $758,128 of total unrecognized compensation expense related to nonvested stock options granted under the stock incentive plan, which is comprised of $693,423 for options expected to vest and $64,705 for options not expected to vest. Unrecognized compensation expense for options expected to vest is expected to be recognized over a weighted-average period of 2.17 years.

Deferred Stock Units

As of December 31, 2009, the Company had granted 39,721 deferred stock units ("DSUs") of its common stock to non-associate directors under the Company's Stock Incentive Plan. DSUs represent the Company's obligation to deliver one share of common stock for each unit at a later date elected by the non-associate director, such as when his or her board service ends. DSUs vest immediately upon grant and are not subject to forfeiture. DSUs do not have voting rights but would receive common stock dividend equivalents in the form of additional DSUs. The value of each DSU is equal to the market price of the Company's stock at the date of grant.

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The fair value of DSUs granted is expensed immediately to correspond with the vesting schedule. The related expense for the years ended December 31, 2009, 2008 and 2007 included $87,512, $125,019 and $120,533, respectively, and is included in “Administrative Expenses” in the accompanying consolidated statements of operations.

The following table summarizes all DSU related transactions from January 1, 2009 through December 31, 2009:

	DSUs	Weighted-Average Grant-Date Fair Value
Beginning balance	23,681	$ 10.37
Granted	16,040	5.46
Ending balance	39,721	$ 8.39

There was no unrecognized compensation expense related to nonvested DSUs as of December 31, 2009.

Restricted Shares and Restricted Share Units

The Company grants restricted shares and restricted share units (restricted shares and restricted share units are referred to as “RSUs”) to key associates and non-associate directors under the Stock Incentive Plan. Each RSU is equal to one share of the Company’s common stock. The value of the RSUs is equal to the market price of the Company’s stock at the date of grant.

The RSUs granted to associates generally vest over two to four years based upon service or performance conditions. RSUs granted to non-associate directors generally vest when the non-associate director terminates his or her board service. Of the RSUs outstanding at December 31, 2009, 68,750 will vest contingent on the attainment of performance conditions.

The fair value of the RSUs is expensed on a straight-line basis over the vesting period based on the number of RSUs expected to vest. For RSUs with performance conditions, if goals are not expected to be met, the compensation expense previously recognized is reversed. The related compensation expense, net of reversals, was as follows:

	Years Ended December 31,		
	2009	2008	2007
Administrative expenses(1)	$114,823	$154,147	$ —
Salaries and benefits(2)	604,084	525,344	56,779
Total	$718,907	$679,491	$56,779

(1) Administrative expenses include amounts for non-associate directors.

(2) Salaries and benefits include amounts for associates.

The Company issues shares of common stock for RSUs as they vest. The following table summarizes all RSU related transactions from January 1, 2009 through December 31, 2009:

Nonvested RSUs	RSUs	Weighted-Average Grant-Date Fair Value
Beginning balance	224,610	$ 10.27
Granted	127,163	4.10
Vested and Issued	(50,580)	10.88
Forfeited	(68,242)	5.66
Ending balance	232,951	$ 8.12

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As of December 31, 2009, there was $1,407,774 of total unrecognized compensation expense related to nonvested RSUs, which is comprised of $651,243 for RSUs expected to vest and $756,531 for RSUs not expected to vest. Unrecognized compensation expense for RSUs expected to vest is expected to be recognized over a weighted-average period of 2.06 years.

10. Contingencies

Litigation Contingencies

The Company is involved in certain legal matters that management considers incidental to its business. The Company recognizes liabilities for contingencies and commitments when a loss is probable and estimable. The Company recognizes expense for defense costs when incurred. Management has evaluated pending and threatened litigation against the Company as of December 31, 2009 and does not believe the exposure to be material.

Registration Rights Agreement

The Company has a registration rights agreement with certain stockholders. Pursuant to the agreement, the Company will pay all costs related to any secondary securities offering requested by these stockholders and the stockholders may sell any outstanding shares owned by them. The Company filed a registration statement on behalf of one of the selling stockholders in 2008 to register 10,932,051 shares of common stock held by the stockholder and paid $45,246 in costs related to the registration statement. The selling stockholders collectively retain the right to request two additional registrations of specified shares under the registration rights agreement, in which case, the Company will be required to bear applicable offering expenses in the period in which any future offering occurs.

11. Long-Term Commitments

Leases

The Company has several operating leases, primarily for office space. The leases expire at various dates through 2016, before consideration of renewal options. The total amount of rental payments due over the lease term are charged to rent expense using the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to “Deferred rent”, which is included in “Accrued liabilities” in the accompanying consolidated statements of financial position. Total rent expense related to operating leases was $6,178,355, $6,134,193 and $7,406,696 for the years ended December 31, 2009, 2008 and 2007, respectively.

The following is a schedule of future minimum lease payments under operating and capital leases, together with the present value of the net minimum lease payments related to capital leases, as of December 31, 2009:

	Operating Leases	Capital Leases
Years ending December 31:		
2010	$ 5,271,040	$110,157
2011	4,930,576	113,648
2012	4,552,094	113,648
2013	4,188,049	3,492
2014	4,239,939	—
2015 and thereafter	5,412,873	—
Total minimum lease payments	$28,594,571	340,945
Less amount representing interest		(62,486)
Present value of net minimum lease payments		$278,459