

**CONSUMER PORTFOLIO SERVICES, INC.**  
**Board of Directors Policies and Procedures**  
*(as adopted July 15, 2014 )*

**1. Board of Directors Role and Responsibilities.**

1.1. Role of the Board of Directors. The Board of Directors is elected by the shareholders to oversee the management of the Company. The Board of Directors should strive to create an environment that allows management to increase the intrinsic value of the Company.

1.2. Responsibilities. In order to fulfill its responsibilities of overseeing the management of the Company, the Board of Directors, acting *en banc* or through designated committees, should perform the following:

- a. Engaging a CEO to act as general manager of the Company,
- b. Appointing and removing other officers of the Company,
- c. Monitoring the performance of the Company and its management,
- d. Overseeing the integrity of the financial statements and the Company's financial, reporting processes, and the adequacy of the Company's internal controls.
- e. Reviewing and monitoring the management succession plan.
- f. Determining the compensation of the Company's executive officers.
- g. Deciding on significant corporate actions and significant issues, and advising management on matters more nearly routine.
- h. Nominating directors, appointing committee members and shaping effective corporate governance.
- i. Assessing its own performance, and that of its committees.
- j. Overseeing legal and ethical compliance.

1.3 Independence. As of the date of adoption of these policies, the Board of Directors has six members. The majority of the members of the Board of Directors are independent directors. For purposes hereof, "independent" shall mean a director who: (a) meets the definition of "independence" established by the NASDAQ Stock Market and (b) meets the criteria for independence set forth in Section 301 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") and the SEC rules implementing Section 301. This independence should be in both fact and appearance so as to promote arms-length oversight. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Nominating Committee.

1.4 Director Qualifications. The Nominating Committee is responsible for reviewing annually with the Board of Directors the qualifications for membership on the Board of Directors. The Board believes that it is the best interests of the Company and its shareholders to identify and select highly-qualified candidates to serve as directors and for the Board of Directors to be comprised of a group of individuals with different backgrounds and perspectives.

The Nominating Committee reviews director candidates in light of the Board membership qualifications and presents its nominees to the Company's shareholders, as the nominees of the Board of Directors, for election at the annual meeting. The Committee considers nominations by Company shareholders that recommend candidates for election to the Board in compliance with the procedures described in the Company's proxy statement. The Committee also recommends candidates for appointment by the Board as necessary to fill vacancies and newly created directorships.

- 1.5 Change in Principal Occupation. When a director's principal occupation or business association changes substantially during the director's tenure on the Board of Directors, the Director should promptly notify the Nominating Committee. The Nominating Committee evaluates the wisdom and prudence of continued service on the Board of Directors and reports its conclusions to the Board of Directors.
- 1.6 Service on Other Boards. Directors are encouraged to limit the number of other boards on which they serve so as not to interfere with their service as a director of the Company. Directors should also advise the chair of the Nominating Committee and the Chief Legal Officer of the Company in advance of accepting an invitation to serve on another corporate board.

## **2. Board of Directors' Meeting and Communications.**

- 2.1. Meetings. The Board of Directors meets as necessary, as but no less than four times each year.
- 2.2. Agendas. The Company's Secretary and its designated counsel will work with chairman of the Board of Directors or any applicable committee to prepare meeting agendas. The Secretary will circulate the proposed agenda in advance of each scheduled meeting. Directors are encouraged to suggest the inclusion of items on the agenda. Directors always remain free to raise subjects at Board of Directors and committee meetings that are not on the agenda for those meetings.
- 2.3. Distribution of Board Materials. Materials related to agenda items generally are distributed prior to each Board meeting, unless timing or the sensitivity of information dictates that information be presented only at the meeting.
- 2.4. Executive Sessions of Independent Directors. The independent directors meet regularly in executive sessions at which only independent directors are present. The executive sessions are self-governing.
- 2.5. Access to Senior Management. The Board of Directors should have access to the information and personnel it needs to perform duties.
- 2.6. Communications from Management. The Board of Directors should be notified promptly following (a) receipt of communications from regulatory or taxing authorities outside the normal course of business, (b) commencement or credible threat of material

litigation or (c) the occurrence of any other situation that might be a material loss contingency for the Company.

2.7. Access to Outside Advisors. The Board of Directors has the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist in the performance of its functions. Each of the Audit, Nominating, and Compensation Committees has similar authority to retain outside advisors as it determines appropriate to assist it in the performance of its functions.

### **3. Committees.**

3.1. Number, Structure and Independence of Committees. The Board of Directors has three standing committees, an Audit Committee, a Compensation Committee and a Nominating Committee. The Committees consist solely of independent Directors. In addition, members of the Audit Committee should meet additional independence criteria applicable to audit committee members under the rules of the NASDAQ Stock Market. The Board of Directors may also establish and maintain other committees from time to time as it deems necessary and appropriate.

3.2. Assignment of Committee Members. Committee members and chairmen are recommended to the Board of Directors by the Nominating Committee and appointed by the full Board of Directors.

3.3. Responsibilities. Each standing committee operates under a written charter that sets forth the purpose and responsibilities of the committee and qualifications for committee membership. Each standing committee assesses the adequacy of its charter annually and recommends changes to the Board of Directors as appropriate. All committees report regularly to the full Board of Directors with respect to their activities.

3.4. Meetings and Agendas. The chairman of each committee, in consultation with other directors and management as appropriate, determines the frequency, length and agenda of the committee's meetings. Materials related to agenda items are provided to committee members sufficiently in advance of meetings to allow the members to review and prepare for discussion of the items at the meetings.

**4. Director Compensation.** The Compensation Committee annually reviews the compensation of directors. Directors who are paid as officers of the Company receive no additional compensation for service on Board of Directors or committees. Compensation to other directors comprises both cash and equity components, as determined by the Board of Directors on recommendation of the Compensation Committee.

**5. Succession Planning.** The Board of Directors reviews succession plans for the position of CEO as well as certain other senior management positions. The CEO reports to the Board of Directors periodically on succession planning and management development and provides the Board with recommendations of potential successors. The CEO also makes available to the Board of Directors, on a continuing basis, recommendations

regarding who should assume the position of CEO in the event that he or she becomes unable or unwilling to perform the duties of this position.

- 6. Evaluation of the CEO.** The Compensation Committee is responsible for evaluating the performance of the Company's officers. The results of the evaluation are shared with the CEO and used by the Compensation Committee in determining such officers' compensation.
- 7. Director Orientation and Continuing Education.** The Company will provide an orientation process for new directors that are designed to familiarize new directors with the Company's business, operations, finances, and governance practices. The Board of Directors encourages directors to participate in education programs.
- 8. Annual Performance Evaluation.** The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Board will receive comments from all Directors and report annually with an assessment of the Board's performance. This assessment will be discussed by the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and especially on areas in which the Board or Company officers believe that the Board could improve.
- 9. Amendment and Interpretation.** These Policies and Procedures are in addition to and are not intended to change or interpret any federal or state law or regulation, including the General Corporation Law of the state of California, nor any committee charters reviewed and approved by the Board. These Policies and Procedures are subject to modification from time to time by the Board.

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