SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13D

UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. _____)*

CONSUMER PORTFOLIO SERVICES, INC.

(Name of Issuer)

Common Stock, no par value per share

(Title of Class of Securities)

210502 100

(CUSIP Number)

Arthur E. Levine	with a copy to:
President	James W. Loss, Esq.
Levine Leichtman Capital Partners, Inc.	Riordan & McKinzie
335 North Maple Drive, Suite 240	695 Town Center Drive, Suite 1500
Beverly Hills, California 90025	Costa Mesa, California 92626
(310) 275-5335	(714) 433-2626

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

November 17, 1998

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Sections 240.13d-1(e), 240.13-d1(f) or 240.13d-1(g), check the following box / /.

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Section 240.13d-7(b) for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

CUSIP NO. 210502 100 — PAGE 2 OF 14 PAGES

1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Levine Leichtman Capital Partners II, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)	(a) / / (b) / /
3	SEC USE ONLY	
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) 00 (SEE ITEM 3)	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) / /	
6	CITIZENSHIP OR PLACE OF ORGANIZATION California	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7 SOLE VOTING POWER -0-	
	8 SHARED VOTING POWER 3,450,000 (See Item 5)	
	9 SOLE DISPOSITIVE POWER -0-	
	10 SHARED DISPOSITIVE POWER 3,450,000 (See Item 5)	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 3,450,000 (See Item 5)	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)	/ /
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 18.1% (See Item 5)	
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN	

SCHEDULE 13D

CUSIP NO. 210502 100 — PAGE 3 OF 14 PAGES

1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) LLCP California Equity Partners II, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)	(a) / / (b) / /
3	SEC USE ONLY	
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) 00 (See Item 3)	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)	/ /
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SCHEDULE 13D

CUSIP NO. 210502 100 PAGE 4 OF 14 PAGES

1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Levine Leichtman Capital Partners, Inc.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)	(a) / / (b) / /
3	SEC USE ONLY	
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) 00 (See Item 3)	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)	/ /
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NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7 SOLE VOTING POWER -0-	
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SCHEDULE 13D

CUSIP NO. 210502 100 — PAGE 5 OF 14 PAGES

1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Arthur E. Levine	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)	(a) / / (b) / /
3	SEC USE ONLY	
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) 00 (See Item 3)	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)	/ /
6	CITIZENSHIP OR PLACE OF ORGANIZATION United States of America	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7 SOLE VOTING POWER -0-	
	8 SHARED VOTING POWER 3,450,000 (See Item 5)	
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SCHEDULE 13D

CUSIP NO. 210502 100 PAGE 6 OF 14 PAGES

1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Lauren B. Leichtman	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)	(a) / / (b) / /
3	SEC USE ONLY	
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) 00 (See Item 3)	
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ITEM 1 SECURITY AND ISSUER.

(a) NAME OF ISSUER:

Consumer Portfolio Services, Inc., a California corporation (the "Issuer").

(b) ADDRESS OF PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER:

16355 Laguna Canyon Road, Irvine, CA 92618.

(c) TITLE OF CLASS OF EQUITY SECURITIES:

Common Stock, no par value per share ("Common Stock").

ITEM 2 IDENTITY AND BACKGROUND.

This Schedule 13D is being filed pursuant to a Joint Reporting Agreement dated November 19, 1998, a copy of which is attached as EXHIBIT 1 hereto, among and on behalf of Levine Leichtman Capital Partners II, L.P., a California limited partnership (the "Partnership"), LLCP California Equity Partners II, L.P., a California limited partnership (the "General Partner"), Levine Leichtman Capital Partners, Inc., a California corporation ("Capital Corp."), Arthur E. Levine ("Mr. Levine") and Lauren B. Leichtman ("Ms. Leichtman" and, together with the Partnership, the General Partner, Capital Corp. and Mr. Levine, the "Reporting Persons").

(a) PARTNERSHIP.

The Partnership is a limited partnership formed under the laws of the State of California. The address of the principal business or principal office of the Partnership is 335 North Maple Drive, Suite 240, Beverly Hills, California 90210. The principal business of the Partnership is to seek out opportunities to invest in the securities of middle market companies and to acquire, hold, manage and dispose of such securities in connection with growth financings, restructurings, recapitalizations, mergers, acquisitions and buyouts.

(b) GENERAL PARTNER.

The General Partner is the sole general partner of the Partnership. The address of the principal business or principal office of the General Partner is 335 North Maple Drive, Suite 240, Beverly Hills, California 90210. The principal business of the General Partner is to act as the general partner of the Partnership and to organize and manage the investments made by the Partnership.

(c) CAPITAL CORP.

Capital Corp. is the sole general partner of the General Partner. The address of the principal business or principal office of Capital Corp. is 335 North Maple Drive, Suite 240, Beverly Hills, California 90210. The principal business of Capital Corp. is to act as the general partner of the General Partner and of LLCP California Equity Partners, L.P., a California limited partnership, the sole general partner of Levine Leichtman Capital Partners, L.P., a California limited partnership.

(d) MR. LEVINE.

Mr. Levine is a director, the President and a shareholder of Capital Corp. The business address of Mr. Levine is 335 North Maple Drive, Suite 240, Beverly Hills, California 90210. The present principal occupation or employment of Mr. Levine is to serve as a director and the President of Capital Corp. Mr. Levine is a citizen of the United States of America. Mr. Levine, together with Ms. Leichtman, are the sole directors, executive officers and shareholders of Capital Corp.

(e) MS. LEICHTMAN.

Lauren B. Leichtman is a director, the Chief Executive Officer, Treasurer and Secretary and a shareholder of Capital Corp. The business address of Ms. Leichtman is 335 North Maple Drive, Suite 240, Beverly Hills, California 90210. The present principal occupation or employment of Ms. Leichtman is to serve as a director and the Chief Executive Officer, Treasurer and Secretary of Capital Corp. Ms. Leichtman is a citizen of the United States of America. Ms. Leichtman, together with Mr. Levine, are the sole directors, executive officers and shareholders of Capital Corp.

During the last five years, no Reporting Person has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3 SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

Pursuant to a Bridge Loan Agreement dated as of November 2, 1998 (the "Bridge Loan Agreement"), between the Issuer and the Purchaser, the Issuer issued and sold to the Partnership a Senior Bridge Note in the aggregate principal amount of $2,500,000 (the "Bridge Note") and a warrant to purchase 345,000 shares of Common Stock (the "Bridge Warrant" and, together with the Bridge Note, the "Bridge Securities"). The Bridge

Securities were acquired by the Partnership for an aggregate purchase price of $2,500,000. On November 10, 1998, the Issuer repaid the Bridge Note in full.

Pursuant to a Securities Purchase Agreement dated as of November 17, 1998 (the "Securities Purchase Agreement"), between the Issuer and the Purchaser, a copy of which is attached as EXHIBIT 2 hereto, the Issuer issued and sold to the Partnership a Senior Subordinated Primary Note in the aggregate principal amount of $25,000,000 (the "Primary Note") and a warrant to purchase 3,105,000 shares of Common Stock. In lieu of issuing a warrant to purchase only 3,105,000 shares of Common Stock, the Issuer issued a single primary warrant to purchase 3,450,000 shares of Common Stock (the "Primary Warrant" and, together with the Primary Note, the "Primary Securities") to evidence (i) the warrant to purchase 3,105,000 shares of Common Stock and (ii) the issuance of 345,000 shares of Common Stock purchasable upon exercise of the Bridge Warrant which was surrendered to the Issuer for cancellation at the closing of the transactions contemplated by the Securities Purchase Agreement. The Primary Securities were acquired by the Partnership for an aggregate purchase price of $25,000,000. The Primary Note and the Primary Warrant are attached as EXHIBIT 3 and EXHIBIT 4 hereto, respectively.

The source of funds for the purchase of the Bridge Securities and the Primary Securities was capital contributions made by the partners of the Partnership in the aggregate amount of $25,000,000 in response to a Call to Purchase Portfolio Securities dated October 5, 1998.

ITEM 4 PURPOSE OF TRANSACTION.

The Partnership acquired the Bridge Securities pursuant to the Bridge Loan Agreement and the Primary Securities pursuant to the Securities Purchase Agreement for investment purposes.

In connection with the acquisition by the Partnership of the Primary Securities, pursuant to the terms of an Investor Rights Agreement dated as of November 17, 1998 (the "Investor Rights Agreement"), among the Issuer, Charles E. Bradley, Sr., Charles E. Bradley, Jr., Jeffrey Fritz and the Partnership, a copy of which is attached as EXHIBIT 5 hereto, the Partnership acquired certain management and other rights from the Issuer, including, without limitation, the right to cause the Board of Directors of the Issuer to cause Mr. Levine (or another representative of the Partnership) to be elected or appointed as a member of the Board of Directors of the Issuer. Effective upon the consummation of the acquisition by the Partnership of the Primary Securities, the Board of Directors of the Issuer was expanded from six to seven members and Mr. Levine was appointed as a member of the Board of Directors (and the Compensation Committee thereof) of the Issuer.

While the Partnership did not acquire the Primary Securities for the purpose of changing or influencing the control of the Issuer, such acquisition, after giving effect to the management and other rights granted to the Partnership under the Investor Rights Agreement, may have the effect of changing or influencing the control of the Issuer within the meaning of Rule 13d-3(d)(1)(i).

Other than as described above, none of the Reporting Persons presently has any plans or proposals which relate to or would result in any of the actions described in subparagraphs (a) through (j) of Item 4 of Schedule 13D.

ITEM 5 INTEREST IN SECURITIES OF THE ISSUER.

(a) AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON AND PERCENT OF CLASS:

Each Reporting Person is deemed to be the beneficial owner (within the meaning of Rule 13d-3(a) of the Securities Exchange Act of 1934, as amended) of 3,450,000 shares of Common Stock (the total number of shares issuable upon exercise of the Primary Warrant), which constitutes 18.1% of such class (which percentage is based upon a total of 15,658,501 shares of Common Stock outstanding as of November 17, 1998, and was calculated pursuant to Rule 13d-3(d)(1)(i)).

Pursuant to Section 2.5 of the Primary Warrant, the Primary Warrant may be exercised at any time during the Exercise Period (as defined therein) with respect to all or any portion of the total number of warrant shares purchasable thereunder (the "Base Warrant Shares") that equals or is less than 19.9% of the number of shares of Common Stock issued and outstanding as of November 17, 1998. The Primary Warrant may not be exercised with respect to any portion of the total number of warrant shares in excess of the Base Warrant Shares (the "Excess Warrant Shares") unless and until the Issuer obtains the approval of the shareholders of the Issuer to the issuance of the Excess Warrant Shares upon exercise of the Primary Warrant. If the Issuer fails to obtain such shareholder approval, the Partnership will not be permitted to exercise the Primary Warrant with respect to any of the Excess Warrant Shares.

Notwithstanding the foregoing, the Reporting Persons have included the Excess Warrant Shares in the total number of shares of Common Stock of which they are deemed to be the beneficial owners because while the Partnership did not acquire the Primary Securities for the purpose of changing or influencing the control of the Issuer, such acquisition, after giving effect to the management and other rights granted to the Partnership under the Investor Rights Agreement, may have the effect of changing or influencing the control of the Issuer within the meaning of Rule 13d-3(d)(1)(i).

(b) VOTING AND DISPOSITIVE POWER:

The Partnership may be deemed to have (i) sole voting and dispositive power with respect to no shares of Common Stock and (ii) shared voting and dispositive power with all other Reporting Persons with respect to 3,450,000 shares of Common Stock.

By virtue of being the sole general partner of the Partnership, the General Partner may be deemed to have (i) sole voting and dispositive power with respect to no shares of Common Stock and (ii) shared voting and dispositive power with all other Reporting Persons with respect to 3,450,000 shares of Common Stock.

By virtue of being the sole general partner of the General Partner, Capital Corp. may be deemed to have (i) sole voting and dispositive power with respect to no shares of Common Stock and (ii) shared voting and dispositive power with all other Reporting Persons with respect to 3,450,000 shares of Common Stock.

By virtue of being the sole directors, executive officers and shareholders of Capital Corp., each of Levine and Leichtman may be deemed to have (i) sole voting and dispositive power with respect to no shares of Common Stock and (ii) shared voting and dispositive power with all other Reporting Persons with respect to 3,450,000 shares of Common Stock.

(c) OTHER TRANSACTIONS.

On November 2, 1998, the Issuer issued and sold to the Partnership the Bridge Securities pursuant to the Bridge Loan Agreement. The Bridge Securities were acquired by the Partnership for an aggregate purchase price of $2,500,000. On November 10, 1998, the Issuer repaid the Bridge Note in full.

(d) INTERESTS OF OTHER PERSONS:

Not Applicable.

(e) DATE UPON WHICH THE REPORTING PERSON CEASED TO BE THE BENEFICIAL OWNER OF MORE THAN FIVE PERCENT OF CLASS:

Not Applicable.

ITEM 6 CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

The Partnership funded its purchase of the Bridge Securities and the Primary Securities with capital contributions made by the partners of the Partnership in the aggregate amount of $25,000,000 in response to a Call to Purchase Portfolio Securities dated October 5, 1998.

On November 17, 1998, the Issuer issued and sold to the Partnership the Primary Note. A copy of the Primary Note is attached as EXHIBIT 3 hereto and describes more fully the payment and other terms thereof.

Pursuant to an Investor Rights Agreement dated as of November 17, 1998 (the "Investor Rights Agreement"), among the Issuer, Charles E. Bradley, Sr., Charles E. Bradley, Jr., Jeffrey Fritz and the Partnership, the Partnership acquired certain management and other rights in connection with its acquisition of the Primary Securities, including, without limitation, the right to cause the Board of Directors of the Issuer to cause Mr. Levine (or another representative of the Partnership) to be elected or appointed as a member of the Board of Directors of the Issuer. (Effective upon the consummation of the acquisition by the Partnership of the Primary Securities, the Board of Directors of the Issuer was expanded from six to seven members and Mr. Levine was appointed as a member of the Board of Directors (and the Compensation Committee thereof) of the Issuer.) Such management and other rights are described more fully in the Investor Rights Agreement, a copy of which is attached as EXHIBIT 5 hereto.

Pursuant to a Registration Rights Agreement dated as of November 17, 1998 (the "Registration Rights Agreement"), between the Issuer and the Partnership, the Partnership has been granted certain "demand" and "piggyback" registration rights with respect to the shares of Common Stock issuable upon exercise of the Primary Warrant. Such registration rights are described more fully in the Registration Rights Agreement, a copy of which is attached as EXHIBIT 6 hereto.

Pursuant to a Securities Option Agreement dated as of November 17, 1998 (the "SFSC Purchase Option"), among the Partnership, Stanwich Financial Services Corp., a Rhode Island corporation ("SFSC"), and the Issuer, the Partnership granted to SFSC the right and option to purchase, among other things, a portion of the Primary Warrant representing 250,000 of the 3,450,000 shares of Common Stock issuable upon exercise of the Primary Warrant, subject to the satisfaction of the conditions set forth therein. Such right and option is described more fully in the SFSC Purchase Option, a copy of which is attached as EXHIBIT 7 hereto.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

Exhibit 1. Joint Reporting Agreement dated November 19, 1998, among the Partnership, LLCP, Capital Corp., Levine and Leichtman.

Exhibit 2. Securities Purchase Agreement dated as of November 17, 1998, between the Issuer and the Partnership.

Exhibit 3. Senior Subordinated Primary Note dated November 17, 1998, issued by the Issuer in the aggregate principal amount of $25,000,000.

Exhibit 4. Primary Warrant to Purchase 3,450,000 shares of Common Stock of the Issuer, dated November 17, 1998.

Exhibit 5. Investor Rights Agreement dated as of November 17, 1998, among the Issuer, Charles E. Bradley, Sr., Charles E. Bradley, Jr., Jeffrey Fritz and the Partnership.

Exhibit 6. Registration Rights Agreement dated as of November 17, 1998, between the Issuer and the Partnership.

Exhibit 7. Securities Option Agreement dated as of November 17, 1998, among the Partnership, Stanwich Financial Services Corp., a Rhode Island corporation, and the Issuer.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: November 19, 1998

LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P., a California limited partnership

By: LLCP California Equity Partners, L.P., its General Partner

By: Levine Leichtman Capital Partners, Inc., a California corporation, its General Partner

By: /s/ Arthur E. Levine

Arthur E. Levine
Title: President

LLCP CALIFORNIA EQUITY PARTNERS II, L.P., a California limited partnership

By: Levine Leichtman Capital Partners, Inc., a California corporation, its General Partner

By: /s/ Arthur E. Levine

Arthur E. Levine
Title: President

LEVINE LEICHTMAN CAPITAL PARTNERS, INC., a California corporation

By: /s/ Arthur E. Levine

Arthur E. Levine
Title: President

/s/ Arthur E. Levine

ARTHUR E. LEVINE

/s/ Lauren B. Leichtman

LAUREN B. LEICHTMAN

JOINT REPORTING AGREEMENT

In consideration of the mutual covenants herein contained, each of the parties hereto represents to and agrees with the other party as follows:

1. Such party is eligible to file a statement or statements on schedule 13D pertaining to the Common Stock, no par value, of Consumer Portfolio Services, Inc. to which this agreement is an exhibit, for filing of the information contained herein.

2. Such party is responsible for timely filing of such statement and any amendments thereto and for the completeness and accuracy of the information concerning such party contained therein, provided that no such party is responsible for the completeness or accuracy of the information concerning any other party making the filing, unless such party knows or has reason to believe that such information is inaccurate.

3. Such party agrees that such statement is filed by and on behalf of each such party and that any amendment thereto will be filed on behalf of each such party.

This Joint Reporting Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original instrument, but all of such counterparts together shall constitute but one agreement.

Dated: November 19, 1998

LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P.,
a California limited partnership
By: LLCP California Equity Partners II, L.P.,
Its: General Partner
By: Levine Leichtman Capital Partners, Inc.,
Its: General Partner

By: /s/ Arthur E. Levine

Arthur E. Levine
Title: President

LLCP CALIFORNIA EQUITY PARTNERS II, L.P.,
a California limited partnership
By: Levine Leichtman Capital Partners, Inc.
Its: General Partner

By: /s/ Arthur E. Levine

Arthur E. Levine
Title: President

[signatures continue on following page]

LEVINE LEICHTMAN CAPITAL PARTNERS, INC.,
a California corporation

By: /s/ Arthur E. Levine

Arthur E. Levine
Title: President

/s/ Arthur E. Levine

ARTHUR E. LEVINE

/s/ Lauren B. Leichtman

LAURENB. LEICHTMAN

EXECUTION COPY

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SECURITIES PURCHASE AGREEMENT

BY AND BETWEEN

LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P.,

AS PURCHASER,

AND

CONSUMER PORTFOLIO SERVICES, INC.,

AS ISSUER

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DATED AS OF NOVEMBER 17, 1998

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EXHIBITS

SCHEDULES

ADDENDUM

Addendum Regarding Stanwich

ANNEX

Annex A -- Financial Covenants and Related Definitions

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement is entered into as of November 17, 1998 (this "Agreement"), by and between Levine Leichtman Capital Partners II, L.P., a California limited partnership, as purchaser (the "Purchaser"), and Consumer Portfolio Services, Inc., a California corporation (the "Company"), as issuer.

RECITALS

A. The Company previously issued and sold to the Purchaser, pursuant to a Bridge Loan Agreement, dated as of November 2, 1998, between the Purchaser and the Company, a Senior Bridge Note, dated November 2, 1998, in the principal amount of $2,500,000 (the "Bridge Note"), and a Bridge Warrant to Purchase 345,000 shares of Common Stock, all on the terms and subject to the conditions set forth therein and in the other Bridge Loan Documents. On November 10, 1998, the Company repaid in full the outstanding principal balance of, and all accrued interest on, the Bridge Note.

B. The Company desires further to issue and sell to the Purchaser, and the Purchaser desires to purchase from the Company, on the terms and subject to the conditions set forth herein, a Senior Subordinated Primary Note in the aggregate principal amount of $25,000,000.

C. As an inducement to the Purchaser to purchase the Note being sold by the Company hereunder, the Company desires to issue to the Purchaser a warrant to purchase 3,105,000 shares of its Common Stock, all as contemplated therein.

D. As a further inducement to the Purchaser to purchase the Note, the Company and certain of its Affiliates are willing to enter into the Related Agreements, including, without limitation, an Investor Rights Agreement with the Purchaser, or an Affiliate of the Purchaser, under which the Purchaser or its Affiliate will be entitled to certain management and other rights in connection with the Purchaser's investment in the Note and such warrant.

AGREEMENT

In consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS. For the purpose of this Agreement, the following capitalized terms shall have the meanings set forth below (PROVIDED, HOWEVER, that the definitions used in the ESFR Agreement, when applied to the following terms as set forth below, shall apply to such terms notwithstanding that the ESFR Agreement is terminated at any time after the date hereof):

"AFFILIATE" shall mean, when used with reference to any specified Person, (i) any other Person that, directly or indirectly, owns or controls, whether beneficially or of record, or as a trustee, guardian or other fiduciary (other than a commercial bank or trust company), five percent (5%) or more of the Capital Stock of such specified Person having ordinary voting power in the election of directors of such specified Person, (ii) any other Person that, directly or indirectly, controls, is controlled by, is under direct or indirect common control with or is included in the Immediate Family of, such specified Person or any Affiliate of such specified Person, (iii) any executive officer, director, joint venturer, partner or member of such specified Person or any Person included in the Immediate Family of any of the foregoing, (iv) any Dealer, if such Dealer or any Affiliate of such Dealer is included in the Immediate Family of Charles E. Bradley, Sr., Charles E. Bradley, Jr. or any other officer or director of the Company, or (v) any Automobile Contract Debtor, independent contractor, vendor, client or customer of the Company if such Automobile Contract Debtor, independent contractor, vendor, client or customer or any Affiliate thereof is included in the Immediate Family of Charles E. Bradley, Sr., Charles E. Bradley, Jr. or any other officer or director of the Company. For the purposes of this definition, "CONTROL," when used with respect to any specified Person, shall mean the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative of the foregoing. Notwithstanding the foregoing, for the purposes of this Agreement and the Related Agreements, neither the Purchaser nor any of its Affiliates, officers, directors, partners or employees shall be deemed to be Affiliates of the Company.

"AGREEMENT" shall mean this Agreement, including the Exhibits, Schedules, ANNEX A and the Addendum, in each case as amended, supplemented or otherwise modified from time to time.

"APPLICABLE LAWS" shall mean (i) all constitutions, treaties, statutes, laws, rules, regulations and ordinances of any Governmental Authority applicable to the Company, its Subsidiaries or its or their respective businesses or properties, including, without limitation, usury laws, the federal Truth-In-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Billing Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Federal Trade Commission Act, the Magnuson-Moss Warranty Act, Regulations B, M and Z of the Federal Reserve Board and any other consumer credit, equal opportunity, disclosure or repossession laws or regulations, laws relating to the discharge of pollutants into the environment and the storage and handling of Hazardous Materials and laws relating to franchise, building, zoning, health, sanitation, safety or labor relations, and (ii) any orders, decisions, rulings, judgments or decrees of any Governmental Authority applicable to the Company, the Subsidiaries or its or their respective businesses or properties.

"ARC" shall mean Alton Receivables Corp., a California corporation.

"ASSET SALE" shall mean any sale, lease, transfer, issuance or other disposition (or series of related sales, leases, transfers, issuances or dispositions) by the Company or any of its Subsidiaries of (i) any shares of Capital Stock of the Company's Subsidiaries, or (ii) any other assets or properties of the Company or such Subsidiaries outside of the ordinary course of business.

"ASSIGNMENT" shall have the meaning set forth in SECTION 12.14.

"AUTOMOBILE CONTRACT" shall mean all right, title, and interest of the Company or any of its Subsidiaries in and to each presently existing and hereafter arising loan account, consumer loan, account, lease, installment sale contract, contract right, Instrument, note, document, chattel paper or general intangible, and all rights of the Company or any of its Subsidiaries to receive payment thereunder, together with all other rights of the Company or any of its Subsidiaries obtained in connection therewith, and any collateral therefor, including all rights under any and all related Automobile Security Documents.

"AUTOMOBILE CONTRACT DEBTOR" shall have the meaning set forth in ANNEX A.

"AUTOMOBILE PRINCIPAL BALANCE" shall have the meaning set forth in ANNEX A.

"AUTOMOBILE SECURITY DOCUMENTS" shall mean all security agreements, chattel mortgages, deeds of trust, mortgages or other security instruments, guaranties, sureties, and all agreements of every type and nature (including a certificate of title) securing the obligations of an Automobile Contract Debtor.

"BANK OF AMERICA FACILITY" shall mean the Business Loan Agreement dated as of December 6, 1996, between Bank of America National Trust and Savings Association and the Company, as amended by Amendment No. 1, dated as of "_____, 1997," and as further amended by Amendment No. 2, dated as of "_____, 1998," as further amended by Amendment No. 3, dated as of November 2, 1998, and as further amended by Amendment No. 4, dated as of November 6, 1998.

"BANKRUPTCY LAW" shall mean Title 11, U.S. Code (11 U.S.C. Section 101 ET SEQ.) or any similar federal or state law for the relief of debtors, as amended from time to time.

"BASE PAYMENT" shall have the meaning set forth in SECTION 8.21.

"BOARD OF DIRECTORS" shall mean, with respect to any Person, the board of directors (or similar governing body) of such Person.

"BRIDGE LOAN AGREEMENT" shall mean the Bridge Loan Agreement, dated as of November 2, 1998, between the Purchaser and the Company, pursuant to which, on the terms and subject to the conditions set forth therein, the Company issued and sold to the Purchaser the Bridge Note and the Bridge Warrant.

"BRIDGE LOAN DOCUMENTS" shall mean, collectively, the Bridge Loan Agreement, the Bridge Note, the Bridge Warrant, ESFR Amendment No. 1, the Irrevocable Instruction Letter (as such term is defined in the Bridge Loan Agreement), the representation letter dated as of November 2, 1998, delivered by the Company to the Purchaser, and any and all agreements, instruments and other documents executed and/or delivered in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"BRIDGE NOTE" shall have the meaning set forth in the recitals.

"BRIDGE WARRANT" shall mean the Bridge Warrant to Purchase 345,000 Shares of Common Stock of the Company, dated November 2, 1998, issued by the Company to the Purchaser under the Bridge Loan Agreement.

"BUSINESS DAY" shall mean any day except Saturday, Sunday and any day which either is a legal holiday under the laws of the State of California or is a day on which banking institutions located in such state are authorized or obligated to close.

"CAPITAL EXPENDITURES" shall have the meaning set forth in ANNEX A.

"CAPITAL LEASE OBLIGATIONS" shall mean any obligations of the Company and its Subsidiaries under all leases of real or personal property that are required to be recorded as a capitalized lease on the consolidated balance sheet of the Company and its Subsidiaries in accordance with GAAP.

"CAPITAL STOCK" shall mean, with respect to any Person, (i) if such Person is a corporation, any and all shares, interests, participations in profits or other equivalents (however designated) of capital stock or other equity interests of such Person, (ii) if such Person is a limited liability company, any and all membership units or interests, or (iii) if such Person is a partnership, any and all partnership units or interests.

"CHANGE IN CONTROL" shall have the meaning set forth in Section 6 of the Note.

"CLOSING" shall have the meaning specified in SECTION 2.3.

"CLOSING BALANCE SHEET" shall have the meaning set forth in SECTION 3.11(d).

"CLOSING DATE" shall have the meaning specified in SECTION 2.3.

"CODE" shall mean the Uniform Commercial Code, as adopted and in force in the State of California as from time to time in effect, and the Uniform Commercial Code of any other jurisdiction as required under Division 9103 of the California Commercial Code.

"COMMON STOCK" shall mean the common stock, no par value per share, of the Company.

"COMPANY" shall have the meaning set forth in the preamble.

"COMPANY SEC DOCUMENTS" shall have the meaning set forth in SECTION 3.40.

"CONSENT" shall mean any consent, approval, authorization, waiver, permit, grant, franchise, license, exemption or order of, any registration, certificate, qualification, declaration or filing with, or any notice to, any Person, including, without limitation, any Government Authority.

"CONVERTIBLE SECURITIES" shall have the meaning specified in SECTION 3.8.

"CPS OPERATING PLAN" shall have the meaning specified in SECTION 6.13.

"CPSRC" shall mean CPS Receivables Corp., a California corporation.

"CREDIT ENHANCER" shall mean FSA and/or any other Person which is not an Affiliate of the Company that issues any surety bond, letter of credit or other credit enhancement in connection with any Securitization Transactions.

"CREDIT TRIGGER" shall have the meaning set forth in the ESFR Agreement.

"CUSTODIAN" shall mean any receiver, trustee, assignee, liquidation, sequestrator or similar official under any Bankruptcy Law.

"DEALER" shall mean a dealer that has sold Goods to any Automobile Contract Debtor pursuant to an Automobile Contract.

"DEALER AGREEMENT" shall mean an agreement between the Company and a Dealer that governs the sale or assignment of Automobile Contracts from such Dealer to the Company, including any provisions for assignment (whether with or without recourse, with a repurchase obligation by the Dealer or with a guaranty by such Dealer) contained in such Automobile Contract or related Automobile Security Documents with respect thereto.

"DEALER BUYBACK" shall mean the reassignment of an Automobile Contract to an originating Dealer as a result of a breach of a representation or warranty of the Dealer or breach by the Automobile Contract Debtor under any Automobile Contract acquired by the Company with recourse to such Dealer.

"DEFAULT" shall mean any event or condition which, with the giving of notice or the lapse of time or both, becomes an Event of Default.

"DEPOSITARY" shall have the meaning set forth in the First Union Agreement.

"DISCLOSURE SCHEDULES" shall have the meaning specified in the introductory paragraph of SECTION 3.

"ENVIRONMENTAL LAWS" shall mean all Applicable Laws relating to Hazardous Materials or the protection of human health or the environment, including all requirements pertaining to reporting, permitting, investigating or remediating releases or threatened releases of Hazardous Materials into the environment, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statute, including the rules and regulations promulgated thereunder.

"ESCROW DEPOSIT" shall have the meaning specified in SECTION 8.21.

"ESFR AGENT" shall mean State Street Bank and Trust Company, as "Agent" for itself and for each other ESFR Lender, and any successor agent under the ESFR Agreement.

"ESFR AGREEMENT" shall mean, collectively, that certain Residual Interest in Securitizations Revolving Credit and Term Loan Agreement, dated as of April 30, 1998, by and among the Company, State Street Bank and Trust Company, as "Agent" and the "Lender," The Structured Finance High Yield Fund, LLC, as "Lender," and The Prudential Insurance Company of America, as "Lender," as amended by ESFR Amendment No. 1 and Amendment No. 2 and as further amended from time to time in accordance with SECTION 9.11(a).

"ESFR AMENDMENT NO. 1" shall mean a letter amendment to the ESFR Agreement, dated November 2, 1998, among the Company, the "Agent" and the ESFR Lenders, amending the ESFR Agreement to provide for the incurrence of the Indebtedness of the Company evidenced by the Bridge Note.

"ESFR AMENDMENT NO. 2" shall have the meaning set forth in SECTION 6.6(f).

"ESFR COMPLIANCE CERTIFICATE" shall have the meaning set forth in the ESFR Agreement.

"ESFR INDEBTEDNESS" shall mean all Indebtedness of the Company and its Subsidiaries under the ESFR Agreement.

"ESFR LENDERS" shall mean the "Lenders" under the ESFR Agreement.

"EVENT OF DEFAULT" shall have the meaning specified in SECTION 11.1.

"EXCESS CASH" shall mean, in any period, all cash released to the Company or any of its Subsidiaries during such period in connection with any Securitization Transactions.

"EXCESS WARRANT SHARES" shall have the meaning set forth in the Primary Warrant.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as the same shall be in effect at the time.

"EXISTING INDEBTEDNESS" shall have the meaning set forth in SECTION 3.12.

"EXISTING LIENS" shall have the meaning set forth in SECTION 3.12.

"EXISTING STOCK PLANS" shall mean, collectively, the Company's 1991 Stock Option Plan, as amended, and the Company's 1997 Long-Term Incentive Stock Plan.

"EXTENSION PAYMENTS" shall have the meaning set forth in SECTION 8.21.

"FINANCIAL STATEMENTS" shall have the meaning specified in SECTION 3.11.

"FIRST UNION AGREEMENT" shall mean the Receivables Funding and Servicing Agreement, dated as of November 24, 1997, by and among CPS Warehouse Corp., a Delaware corporation, as the borrower, the financial institutions listed therein, Variable Funding Capital Corporation, a Delaware corporation, as a lender, First Union Capital Markets Corp., as deal agent ("FIRST UNION"), First Union National Bank, as liquidity agent and as collateral agent, and the Company, as the servicer, as amended by

Amendment No. 1 dated as of May 1, 1988, Amendment No. 2 dated as of July 17, 1988, Amendment No. 3 dated as of October 5, 1988, and Amendment No. 4 dated as of October 12, 1988.

"FSA" shall mean Financial Security Assurance Inc.

"GAAP" shall mean generally accepted accounting principles and practices set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession that are applicable to the circumstances as of the date hereof, applied on a consistent basis.

"GOODS" shall mean any new or used automobile or light truck, including equipment sold or financed in connection therewith, or any other item of personal property, each being intended principally for personal or family use by consumers, sold, leased or otherwise encumbered under any Automobile Contract.

"GOVERNMENTAL AUTHORITY" shall mean any nation or government, and any state or political subdivision thereof, any entity (including, without limitation, the SEC) exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any tribunal or arbitrator(s) of competent jurisdiction, and any self-regulatory organization.

"GUARANTEE" OR "GUARANTY" shall mean, with respect to any Person, (i) any guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, of any Indebtedness or other obligation of any other Person and (ii) any agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of any Indebtedness or other obligation of such other Person, including, without limitation, any indemnification agreement, warranty and agreement to pay amounts drawn down by letters of credit. The amount of a Guarantee shall be deemed to be the maximum amount of the obligation guaranteed for which the guarantor could be held liable under such Guarantee.

"HAZARDOUS MATERIALS" shall mean any substance (i) the presence of which requires investigation or remediation under any Applicable Laws; (ii) that is defined or becomes defined as a "hazardous waste" or "hazardous substance" under any Applicable Laws, including the Comprehensive Environmental Response, Compensation and

Liability Act (42 U.S.C. Section 9601 et seq.) or the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); (iii) that is toxic, explosive, corrosive, inflammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and is or become regulated by any Governmental Authority; (iv) the presence of which on any real property causes or threatens to cause a nuisance upon the real property or to adjacent properties or poses or threatens to pose a hazard to any real property or to the health or safety of Persons on about any real property; or (v) without limitation, that contains gasoline or other petroleum hydrocarbons, polychlorinated biphenyls or asbestos.

"HOLDER" shall mean any Person (including, without limitation, the initial Purchaser) in whose name the Note (or Notes) is registered in the register maintained by the Company pursuant to SECTION 12.3.

"IMMEDIATE FAMILY" of a Person includes such Person's spouse, and the parents, children and siblings of such Person or his or her spouse and their spouses and other Persons related to the foregoing by blood, adoption or marriage within the second degree of kinship, and, with respect to Charles E. Bradley, Sr., Charles E. Bradley, Jr., and any officer or director of the Company shall also include any Person who is primarily a personal friend rather than a business associate.

"INDEPENDENT DIRECTOR" shall mean a director of the Company who is not an officer of the Company, nor included in the Immediate Family of any Affiliate of the Company nor represents concentrated or family holdings of its shares, and who, in the view of the Purchaser, is free of any relationship with respect to the Company that would interfere with the exercise of independent judgment. For the purposes of this Agreement, William B. Roberts, Thomas L. Chrystie and Robert A. Simms, each of whom is a duly elected director of the Company as of the date hereof, shall be deemed to be Independent Directors.

"INDEBTEDNESS" shall mean, with respect to the Company and its Subsidiaries, without duplication, (i) any obligations, contingent or otherwise, for borrowed money; (ii) all obligations evidenced by bonds, notes, debentures or similar instruments; (iii) all obligations to pay the deferred purchase price of property or services (excluding trade payables incurred in the ordinary course of business that are not overdue by more than sixty (60) days from its due date and that are not being contested in good faith); (iv) all Capital Lease Obligations; (v) all obligations secured by a Lien to which any property or assets owned by the Company or any of its Subsidiaries is subject, whether or not the obligations secured thereby have been assumed by the Company or any such Subsidiaries; (vi) all obligations of the Company and its Subsidiaries, contingent or otherwise, in respect of any letters of credit or bankers' acceptances; (vii) all obligations under facilities for the discount or sale of receivables; (viii) the maximum fixed repurchase price of any redeemable stock of the Company and its Subsidiaries; and

(ix) all Guaranties of items which would be included within this definition (regardless of whether such items would appear upon such balance sheet); PROVIDED, FURTHER, that the term "Indebtedness" shall be expanded to include any Indebtedness for Money Borrowed (as such term is defined in the RISRS Indenture and PENS Indenture) to the extent not already covered by clauses (i) through (ix) above.

"INDEMNIFIED PARTY" shall have the meaning specified in SECTION 10.2.

"INSTRUMENTS" shall have the same meaning as given to that term in the Code, and shall include all negotiable instruments, notes secured by mortgages or trust deeds, and any other writing which evidences a right to the payment of money and is not itself a security agreement or lease, and is of a type which is, in the ordinary course of business, transferred by delivery with any necessary endorsement or assignment.

"INSURANCE AGREEMENT EVENT OF DEFAULT" shall have the meaning set forth in the Insurance and Indemnity Agreements among the Company, CPSRC and FSA, as in effect as of the date hereof.

"INTELLECTUAL PROPERTY" shall mean all (i) patents, patent registrations, patent applications, patent disclosures and any related continuation, continuation-in-part, divisional, reissue, reexamination, utility, model and certificate of invention; (ii) trademarks, service marks, trade dress, logos, trade names and corporate names, and any registrations and applications for registration thereof; (iii) copyrights and registrations and applications for copyrights, including, without limitation, the Company's proprietary scoring and underwriting model; (iv) computer software, data and documentation; (v) trade secrets, know-how, processes and techniques, research and development, works, financial, marketing and business data, pricing and cost information, business and marketing plans, customer and supplier lists and any other confidential information; (vi) all proprietary rights relating to any of the foregoing; and (vii) copies and tangible embodiments thereof.

"INVESTMENTS" shall mean, as applied to any Person, (i) any direct or indirect acquisition by such Person of any Capital Stock of any other Person, or all or any substantial part of the business or assets of such other Person, and (ii) any direct or indirect loan, advance or capital contribution by such Person to any other Person (including, without limitation, any Affiliate, officer, director or employee of the Company).

"INVESTOR RIGHTS AGREEMENT" shall mean an Investor Rights Agreement, in substantially the form of EXHIBIT F, among the Company, the Purchaser, Charles E. Bradley, Sr., Charles E. Bradley, Jr. and Jeffrey P. Fritz.

"IRC" shall mean the Internal Revenue Code of 1986, as amended, or any successor statute.

"LICENSES AND PERMITS" shall mean, collectively, all licenses, franchises, permits, consents, approvals, registrations, certificates and authorizations of all Governmental Authorities necessary to the conduct of the businesses of the Company and its Subsidiaries, including, without limitation, all licenses issued or issuable under the finance laws in each state in which the activities of the Company and its Subsidiaries, respectively, would require such licensing, licenses required for the sale or brokerage of insurance products, compliance with all bonding requirements of any Governmental Authority and any licenses, franchises, permits, consents, approvals, registrations, certificates and authorizations required to be held to comply with or obtain exemptions from the usury laws of any state.

"LIEN" shall mean any lien, pledge, mortgage, claim, covenant, restriction, security interest, charge or encumbrance of any kind (including, without limitation, the interest of a lessor under a Capital Lease Obligation having substantially the same economic effect).

"LLCP BLOCKED ACCOUNT" shall have the meaning specified in SECTION 8.15.

"LOSSES" shall have the meaning specified in SECTION 10.2.

"MARGIN REGULATIONS" shall mean Regulations G, T, U and X of the Board of Governors of the Federal Reserve System, or any successor thereto (the "FEDERAL RESERVE BOARD"), as amended from time to time.

"MARGIN STOCK" shall mean "margin stock" as defined in the Margin Regulations.

"MATERIAL ADVERSE EFFECT" or "MATERIAL ADVERSE CHANGE" shall mean a material adverse effect on or adverse change in, as the case may be, (i) the business, assets, condition (financial or otherwise), properties, results of operations and prospects of (A) the Company and any of its Subsidiaries, individually (excluding CPS Leasing, Inc., LINC Acceptance LLC and Samco Acceptance Corp.) or taken as a whole, or (B) CPS Leasing, Inc., LINC Acceptance LLC and Samco Acceptance Corp. taken as a whole (except as otherwise contemplated by the CPS Operating Plan), or (ii) the ability of the Company to perform its obligations under this Agreement or any Related Agreement.

"MATERIAL CONTRACTS" shall have the meaning set forth in SECTION 3.14(a).

"NAB LOANS" shall mean the loans or advances made by the Company to NAB Asset Corporation and outstanding as of the date hereof in the aggregate principal amount of $2,544,395.

"NASDAQ" shall have the meaning set forth in SECTION 8.23.

"NET AVAILABLE CASH" shall mean, with respect to any Asset Sale, all cash payments received from such Asset Sale (including cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the Company or any of its Subsidiaries of Indebtedness relating to the property that is the subject of such Asset Sale or received in any other non-cash form), in each case net of (i) all legal, title and recording Tax expenses, commissions and other fees and expenses incurred, and all federal, state and local Taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Sale, and (b) all payments made on any Indebtedness which is secured by any property subject to such Asset Sale, in accordance with the terms of any Lien upon such property, or which must by its terms or in order to obtain a necessary Consent to such Asset Sale, or under Applicable Laws, be repaid out of the proceeds from such Asset Sale.

"NEW SENIOR CREDIT FACILITY" shall mean a new senior credit facility of the Company (whether a revolving credit facility, a term loan facility or both), the terms and provisions of which are satisfactory to the Purchaser, entered into after the date hereof between the Company (and/or its Subsidiaries) and a syndicate of banks or other financial institutions acceptable to the Purchaser, under which:

(i) All Indebtedness evidenced by such new facility constitutes Senior Indebtedness of the Company;

(ii) The Purchaser is a lender under such new facility and the Purchaser's principal term commitment is no less than $25,000,000; PROVIDED, HOWEVER, that if, prior to the New Senior Facility Establishment Date, the Company has not held the Shareholder Meeting or has held the Shareholder Meeting but failed to obtain the approval of the shareholders to the issuance of the Excess Warrant Shares as provided in the Primary Warrant, the Purchaser's principal term commitment will be the lesser of (a) $25,000,000 and (b) the principal balance of the Note outstanding immediately prior to the New Senior Facility Establishment Date, in each case LESS the Escrow Deposit (as contemplated by SECTION 8.21);

(iii) The Company is not permitted to borrow funds thereunder in an amount in excess of fifty percent (50.0%) of the aggregate cash balances in the "spread accounts" relating to Securitization Transactions;

(iv) All Indebtedness evidenced thereunder is secured by first priority valid and perfected Liens in favor of the lenders thereunder covering all or substantially all "Collateral" (as such term is defined in the ESFR Agreement);

(v) The Purchaser is entitled to sell to Stanwich a participation interest in the Purchaser's commitment under such new facility; and

(vi) The proceeds of such new facility are used by the Company to pay in full all Indebtedness then outstanding under the ESFR Agreement.

"NEW SENIOR FACILITY ESTABLISHMENT DATE" shall mean the date upon which the New Senior Credit Facility shall have been established and the Company shall have the right to borrow funds thereunder.

"NEW SENIOR FACILITY NOTE" shall mean a note, issued by the Company to the Purchaser as a lender under the New Senior Credit Facility.

"NOTE" shall have the meaning set forth in SECTION 2.1, and shall also include, where applicable, any additional note or notes issued by the Company in connection with any Assignments.

"OBLIGATIONS TO PURCHASER" shall mean any and all Indebtedness, claims, liabilities or obligations of the Company or any of its Subsidiaries owing to the Purchaser or any Affiliate of the Purchaser (or any assignee or transferee of the Purchaser or such Affiliate) under or with respect to this Agreement, the Note and any other Related Agreement, and any and all agreements, instruments or other documents heretofore or hereafter executed or delivered in connection with any of the foregoing, of whatever nature, character or description (including, without limitation, any claims for rescission or other damages under federal or state securities laws and any obligations of the Company to indemnify the Purchaser), and whether presently existing or arising hereafter, together with interest, premiums and fees accruing thereon and costs and expenses (including, without limitation, attorneys' fees) of collection thereof (including, without limitation, interest, fees, costs and expenses accruing after the filing of a petition by or against the Company or any Subsidiaries under the Bankruptcy Laws or any similar federal or state statute), and any and all amendments, renewals, extensions, exchanges, restatements, refinancings or refundings thereof.

"OPTION POOL" any Option Rights to purchase shares of Common Stock which may be granted by the Board of Directors of the Company (or the compensation committee thereof) to directors, officers and key employees of the Company or of any Affiliate of the Company under a plan adopted or to be adopted by the Board of Directors of the Company or the shareholders of the Company, including, without limitation, the Existing Stock Plans, at an exercise price per share that is not less than

the fair market value of the shares of Common Stock as of the date of grant, as determined by the Board of Directors of the Company (or the compensation committee thereof) in good faith and approved (i) in the case of a grant to any officer (other than a senior executive officer) or employee of the Company who is not a member of the Board of Directors of the Company, by a majority vote of the Board of Directors of the Company (or the compensation committee thereof), and (ii) in the case of any grant to a senior executive officer or member of the Board of Directors of the Company, by the unanimous vote of the members of the Board of Directors of the Company (or the compensation committee thereof) who are not being granted or receiving such Option Rights, unless such grant (and the number of shares of Common Stock issuable upon exercise thereof) is consistent with past grants by the Board of Directors of the Company to such member, in which case by a majority vote of the Board of Directors (or the compensation committee thereof) of the Company.

"OPTION RIGHTS" shall have the meaning specified in SECTION 3.8.

"PBGC" shall mean the Pension Benefit Guaranty Corporation.

"PENS" shall mean the "10.50% Participating Equity Notes" due April 15, 2004, issued by the Company in the original principal amount of $20,000,000.00 pursuant to a First Supplemental Indenture dated as of April 15, 1997, between the Company and Bankers Trust Company, as trustee thereunder. The PENS is the first series of unsecured subordinated debentures, notes or other evidences of indebtedness to be issued under an Indenture, dated as of April 15, 1997 (such Indenture, as supplemented by the First Supplemental Indenture, being collectively referred to herein as the "PENS INDENTURE"), between the Company and Bankers Trust Company, as trustee thereunder.

"PERMITTED INVESTMENTS" shall mean (i) any direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, all of which mature within three (3) months from the date of acquisition thereof; (ii) interest-bearing demand or time deposits that mature no more than thirty (30) days from the date of creation thereof and that are either (a) insured by the Federal Deposit Insurance Corporation or (b) held in any United States commercial bank having general obligations rated at least "AA" or equivalent by Standard & Poor's

Corporation or Moody's Investor Service and having capital and surplus of at least $500,000,000 or the equivalent; or (iii) certificates of deposit that mature no more than thirty (30) days from the date of creation thereof and that are either (a) insured by the Federal Deposit Insurance Corporation or (b) held in any United States commercial bank having general obligations rated at least "AA" or equivalent by Standard & Poor's Corporation or Moody's Investor Service and having capital and surplus of at least $500,000,000 or the equivalent.

"PERMITTED LIENS" shall mean, collectively, Liens arising by reason of (i) any attachment, judgment, decree or order of any Governmental Authority, so long as such Lien is being contested in good faith within thirty (30) days of such Person's knowledge thereof and is either adequately bonded or execution thereon has been stayed pending appeal or review, and any appropriate legal proceedings which may have been duly initiated for the review of such attachment, judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired; (ii) Taxes, assessments or other governmental charges not yet delinquent or that are being contested in good faith; (iii) security for payment of workers' compensation or other insurance; (iv) security for the performance of leases; (v) deposits to secure public or statutory obligations or in lieu of surety or appeal bonds entered into in the ordinary course of business; (vi) operation of law in favor of carriers, warehouse owners, landlords, storage facilities or mechanics incurred in the ordinary course of business for sums that are not yet delinquent or are being contested in good faith by negotiation or by appropriate proceedings that suspend the collection thereof and, if required by GAAP, are appropriately reserved for on the books of such Person; (vii) any interest or title of a lessor under any lease; and (viii) easements, rights-of-way, zoning and similar covenants and restrictions and other similar encumbrances or title defects that, in the aggregate, are not material in amount; PROVIDED, HOWEVER, that each of the Liens described in the foregoing clauses (i) through (viii) inclusive shall only constitute a Permitted Lien so long as such Lien individually does not, and so long as all such Liens collectively do not, materially interfere with the conduct of such Person's business.

"PERSON" shall mean any individual, trustee, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, limited liability partnership, other business entity or Governmental Authority.

"PLEDGED NOTES" shall have the meaning set forth in the Stanwich Subordination Agreement.

"POOLE REPLACEMENT NOTE" shall have the meaning set forth in SECTION 6.7(b).

"PRIMARY WARRANT" shall have the meaning set forth in SECTION 2.1.

"PRIMARY WARRANT SHARES" shall mean the shares of Common Stock issued or issuable upon exercise of the Primary Warrant.

"PURCHASE PRICE" shall have the meaning specified in SECTION 2.2.

"PURCHASER" shall have the meaning set forth in the preamble.

"REAL PROPERTY" shall mean any real property or "facility" (as defined in the Resource Conversation and Recovery Act (RCRA), 42 U.S.C. Section 6901 ET SEQ.) currently or formerly owned, operated, leased or occupied by the Company and its Subsidiaries.

"REGISTRATION RIGHTS AGREEMENT" shall have the meaning specified in SECTION 6.6(d).

"RELATED AGREEMENTS" shall mean the Note, the Primary Warrant, the Registration Rights Agreement, the Investor Rights Agreement, the Stanwich Documents, ESFR Amendment No. 2, the Bridge Loan Documents and any and all agreements, instruments and other documents contemplated hereby or thereby or relating hereto or thereto, as the same may be amended, supplemented or otherwise modified from time to time.

"RESTRICTED PAYMENT" shall mean, with respect to any Person, (i) any dividend or other distribution, direct or indirect, on account of any Capital Stock of such Person now or hereafter outstanding; (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any Capital Stock of such Person now or hereafter outstanding; and (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment with respect to any Subordinated Indebtedness (PROVIDED that any sinking fund payments required to be made by the Company under the terms of the Existing Indebtedness shall not constitute a Restricted Payment); PROVIDED, HOWEVER, that the following shall not constitute a Restricted Payment so long as the Company is Solvent and no Default or Event of Default has occurred and is continuing or would occur as a result thereof: (a) any dividend or other distribution, direct or indirect, on account of any Capital Stock of such Person now or hereafter outstanding which is payable solely in shares of Common Stock; (b) any regularly scheduled payments of principal of and/or interest on any Subordinated Indebtedness made in accordance with the terms and provisions of the Subordinated Agreements; (c) any sales or transfers of Automobile Contracts (or pools thereof) between or among the Company and its Subsidiaries in connection with any Securitization Transactions (including, without limitation, any warehousing transactions); (d) any purchases by the Company of its Capital Stock under the Company's Employee Savings (401(k)) Plan;(e) any dividend or other distribution, direct or indirect, on account of any Capital Stock (now or hereafter outstanding) of any of the Company's Subsidiaries to the Company; or (f) the cancellation or acquisition of any Capital Stock of the Company as payment to the Company of the exercise price of any Option Rights or Convertible Securities.

"RISRS" shall mean the "Rising Interest Subordinated Redeemable Security Due 2006" issued by the Company in the original principal amount of $20,000,000, pursuant to a First Supplemental Indenture dated as of December 15, 1995, between the Company and Harris Trust and Savings Bank, as trustee thereunder. The RISRS is the first series of unsecured subordinated debentures, notes or other evidences of indebtedness to be issued under the Indenture dated as of December 15, 1995, between the Company and Harris Trust and Savings Bank, as trustee (such Indenture, as supplemented by the First Supplemental Indenture, being collectively referred to herein as the "RISRS INDENTURE"), between the Company and Bankers Trust Company, as trustee thereunder.

"SEC" shall mean the Securities and Exchange Commission, or any successor agency.

"SECURITIES" shall have the meaning specified in SECTION 2.1.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, all as the same shall be in effect at the time.

"SECURITIZATION TRANSACTION DOCUMENTS" shall mean all agreements, instruments and other documents now existing or hereafter entered into in connection with the consummation of Securitization Transactions.

"SECURITIZATION TRANSACTIONS" shall have the meaning set forth in ANNEX A.

"SENIOR INDEBTEDNESS" shall mean the principal amount of, premium, if any, and interest on (i) any Indebtedness, whether now outstanding or hereafter created, incurred, assumed or guaranteed, unless in the instrument creating or evidencing such Indebtedness or pursuant to which such Indebtedness is outstanding it is provided that such Indebtedness is subordinate in right of payment or rights upon liquidation to any other Indebtedness of the Company and (ii) refundings, renewals, extensions, modifications, restatements, and increases of any such Indebtedness.

"SENIOR SUBORDINATED INDEBTEDNESS" shall mean, collectively, the RISRS, the PENS, the Stanwich Senior Subordinated Debt, the Indebtedness evidenced by the Note and any other Indebtedness of the Company heretofore or hereafter consented to in writing by the Purchaser and which ranks PARI PASSU with the RISRS, the PENS, the Stanwich Senior Subordinated Debt and the Indebtedness evidenced by the Note, PROVIDED, HOWEVER, that such other Indebtedness is evidenced or governed by provisions that are satisfactory to the Purchaser, in each case as amended, supplemented, modified, refinanced, renewed, replaced, restructured or exchanged from time to time in accordance with SECTION 9.11(A).

"SHAREHOLDER MEETING" shall have the meaning specified in SECTION 8.21.

"SOLVENT" shall mean, with respect to any Person, that (i) the total present fair salable value of such Person's assets on a going concern basis is in excess of the total amount of such Person's liabilities, including contingent liabilities; (ii) such Person is able to pay its liabilities and contingent liabilities as they become due; and (iii) such Person does not have unreasonably small capital to carry on such Person's business as theretofore operated and as proposed to be operated.

"STANWICH" shall mean Stanwich Financial Services Corp., a Rhode Island corporation. The term "Stanwich" shall also mean, where applicable, Stanwich Partners, Inc.

"STANWICH COMMITMENT" shall have the meaning set forth in SECTION 8.24.

"STANWICH CONSULTING AGREEMENT" shall mean the Consulting Agreement dated February 14, 1996, between the Company and Stanwich.

"STANWICH DEBT AGREEMENTS" shall mean, collectively, all agreements, instruments and other documents, whether now existing or hereafter entered into, evidencing or governing any Stanwich Indebtedness, including, without limitation, (i) the 1997 Stanwich Notes, (ii) the 1998 Stanwich Notes, (iii) the Stanwich Replacement Note, (iv) the Poole Replacement Note, (v) the Stanwich Commitment, (vi) the Stanwich Debt Restructure Agreement and (vii) the Stanwich Subordination Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with SECTION 9.11(a).

"STANWICH DEBT RESTRUCTURE AGREEMENT" shall have the meaning set forth in SECTION 6.7(b).

"STANWICH DOCUMENTS" shall mean the Stanwich Purchase Option and the Stanwich Debt Agreements, as the same may be amended, supplemented or otherwise modified from time to time in accordance with SECTION 9.11(a).

"STANWICH INDEBTEDNESS" shall mean, collectively, any and all Indebtedness of the Company or its Subsidiaries or both owing to Stanwich or any of its shareholders, officers, directors, employees or Affiliates (other than the Company and its Subsidiaries), including, without limitation: (i) the seven (7) "Partially Convertible Subordinated 9% Notes" dated June 12, 1997 (the "1997 STANWICH NOTES"), issued by the Company to Stanwich in the aggregate principal amount of $15,000,000; (ii) the Convertible Promissory Note dated August 13, 1998, issued by the Company to Stanwich in the principal amount of $500,000, the Convertible Promissory Note dated August 21, 1998, issued by the Company to Stanwich in the principal amount of $425,000, and the Convertible Promissory Note dated September 2, 1998, issued by the Company to Stanwich in the principal amount of $3,075,000 (collectively, the "1998

STANWICH NOTES"); (iii) the Promissory Note dated August 13, 1998, issued by the Company to John G. Poole ("POOLE") in the aggregate principal amount of $1,000,000 (the "POOLE NOTE"); and (iv) the Stanwich Replacement Note and the Poole Replacement Note being issued by the Company and delivered at the Closing pursuant to SECTION 6.7(b), in each of clauses (i) through (iv) above as amended, supplemented, modified, refinanced, renewed, replaced, restructured or exchanged from time to time in accordance with SECTION 9.11(a).

"STANWICH PURCHASE OPTION" shall mean a Securities Option Agreement, in substantially the form of EXHIBIT D, among the Company, the Purchaser and Stanwich.

"STANWICH REPLACEMENT NOTE" shall have the meaning set forth in SECTION 6.7(b).

"STANWICH SENIOR SUBORDINATED DEBT" shall mean all Stanwich Indebtedness outstanding under the "Pledged Notes" (as such term is defined in the Stanwich Subordination Agreement); PROVIDED, HOWEVER, that any Stanwich Indebtedness that is released from the relevant pledge shall be expressly made subordinate to the same extent as the Stanwich Indebtedness that is not evidenced by the Pledged Notes.

"STANWICH SUBORDINATION AGREEMENT" shall have the meaning set forth in SECTION 6.7(d).

"SUBORDINATED AGREEMENTS" shall mean, collectively, the RISRS Indenture, the PENS Indenture, all Stanwich Debt Agreements and all other agreements, instruments and other documents evidencing or governing any Indebtedness of the Company or any of its Subsidiaries, whether now existing or hereafter entered into, that expressly provides that such Indebtedness is subordinate in right of payment or rights upon liquidation to any other Indebtedness of the Company, together with any and all related agreements, instruments and other documents between or among the Company, any of its Subsidiaries and/or the Subordinated Lenders, in each case as amended, supplemented or otherwise modified from time to time in accordance with SECTION 9.11(a).

"SUBORDINATED INDEBTEDNESS" shall mean Indebtedness that is not Senior Indebtedness, as such Indebtedness may be refinanced, renewed, replaced, restructured or exchanged from time to time in accordance with SECTION 9.11(a).

"SUBORDINATED LENDERS" shall mean the lenders of Subordinated Indebtedness (including, without limitation, Stanwich).

"SUBSIDIARY" and "SUBSIDIARIES" shall mean, with respect to any Person, any other Person of which more than fifty percent (50%) of the total voting power of Capital Stock entitled to vote (without regard to the occurrence of any contingency) in the

election directors (or other Persons performing similar functions) are at the time directly or indirectly owned by such first Person. Unless otherwise indicated, the term "SUBSIDIARY" refers to a Subsidiary of the Company.

"TAX" or "TAXES" shall mean any present and future income, excise, sales, use, stamp or franchise taxes and any other taxes, fees, duties, levies, withholdings or other charges of any nature whatsoever imposed by any taxing authority, whether federal, state, local or foreign, together with any interest and penalties and additions to tax.

"THIRD PARTY INTELLECTUAL PROPERTY RIGHTS" shall have the meaning specified in SECTION 3.23(a).

"USAP AUDIT" shall mean an audit conducted according to the requirements and standards set forth in the Uniform Single Attestation Program promulgated by the Mortgage Bankers Association of America.

2. PURCHASE AND SALE OF THE SECURITIES.

2.1 AUTHORIZATION. The Company has authorized the issuance, sale and delivery to the Purchaser of (a) a Senior Subordinated Primary Note in the aggregate principal amount of $25,000,000, in substantially the form of EXHIBIT A (as the same may be amended, supplemented, modified, renewed, refinanced or restructured from time to time, the "Note"), and (b) a warrant to purchase 3,105,000 shares of Common Stock; PROVIDED, HOWEVER, that in lieu of issuing a warrant to purchase only 3,105,000 shares of Common Stock, the Company will issue to the Purchaser a single primary warrant to purchase 3,450,000 shares of Common Stock, in substantially the form of EXHIBIT B (as the same may be amended, supplemented or otherwise modified from time to time, the "Primary Warrant"), to evidence the right to purchase the 3,105,000 shares of Common Stock and, in connection with the surrender by the Purchaser of the Bridge Warrant at the Closing pursuant to SECTION 7.4, the issuance of the 345,000 shares of Common Stock purchasable upon exercise of the Bridge Warrant. The Note, including the payment of principal of, premium, if any, and interest on the Note, shall be subordinate and subject in right of payment and rights upon liquidation, to the extent and in the manner set forth therein, to the prior payment in full of all Senior Indebtedness and shall rank PARI PASSU in right of payment with all Senior Subordinated Indebtedness. The Note and the Primary Warrant are collectively referred to herein as the "Securities."

2.2 PURCHASE OF THE SECURITIES. At the Closing, subject to the terms and conditions contained herein, and in reliance upon the representations, warranties, covenants and agreements contained herein, the following transactions shall be consummated: (a) the Company shall issue and sell to the Purchaser, and the Purchaser shall purchase from the Company, the Note, and (b) the Company shall issue and sell to the Purchaser, and the Purchaser shall purchase from the Company, the Primary Warrant. The aggregate purchase price to be paid by the Purchaser shall be $25,000,000 (the "Purchase Price"), which will be

paid in accordance with SECTION 2.3 and allocated between the Note and the Primary Warrant in the manner set forth on SCHEDULE 2.2. The Company and the Purchaser shall use such allocation of the Purchase Price for all federal, state and local tax purposes.

2.3 CLOSING OF SALE OF THE SECURITIES. The closing of the issuance, sale and delivery of the Securities to be purchased by the Purchaser under this Agreement (the "Closing") shall take place at the offices of Riordan & McKinzie, 300 South Grand Avenue, Suite 2900, Los Angeles, California 90071, on the date hereof or as soon as practicable thereafter immediately following the satisfaction or waiver of the conditions precedent set forth in SECTION 6 and SECTION 7 (the "Closing Date"). At the Closing, the Company shall deliver to the Purchaser each of the Note and the Primary Warrant, duly executed by the Company, in each case against payment of that portion of the Purchase Price allocated thereto as provided for in SCHEDULE 2.2. The Purchase Price shall be paid by (a) transfer of the amount provided for in SCHEDULE 2.4 in immediately available funds to such bank as the Company may request (which request shall be made in writing at least one (1) Business Day prior to the Closing Date) for credit to an account designated by the Company in such request, PROVIDED that such request shall be consistent with the purposes set forth in SCHEDULE 2.4, and (b) pursuant to SECTION 7.4, surrender of the Bridge Warrant for cancellation by the Company.

2.4 USE OF PROCEEDS. The proceeds to be received by the Company from the issuance and sale of the Securities shall be used solely for the purposes set forth in SCHEDULE 2.4 (and applied in accordance with the terms therein). The Company will not, directly or indirectly, use any of the proceeds from the issue and sale of the Note for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock or maintaining or extending credit to others for such purpose or for any other purpose that violates the Margin Regulations. If requested by the Purchaser, the Company will promptly furnish to the Purchaser a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in the Margin Regulations.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Purchaser that, except as set forth in the disclosure schedules (the "Disclosure Schedules"), the following statements are true and correct as of the date hereof:

3.1 ORGANIZATION AND GOOD STANDING. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California, and has all requisite power and authority to own or lease and operate its properties, to carry on its business as now being conducted and as proposed to be conducted, to enter into this Agreement and each of the Related Agreements, to issue, sell and deliver the Securities to be issued by it hereunder and to consummate the transactions contemplated hereby and by the Related Agreements.

3.2 SUBSIDIARIES. SCHEDULE 3.2 sets forth, as to each Subsidiary, its name, the jurisdiction of its incorporation, the number of outstanding shares of its Capital Stock and the

number of such outstanding shares owned by the Company and its Subsidiaries. Each such Subsidiary is a corporation duly organized, validly existing and, if applicable, in good standing under the laws of the jurisdiction of its incorporation and has all requisite power and authority to own or lease and operate its properties, to carry on its business as now conducted and as proposed to be conducted. All of the outstanding Capital Stock of each such Subsidiary has been duly authorized and is validly issued, fully paid and non-assessable, and is owned by the Company or its Subsidiaries as specified in SCHEDULE 3.2, in each case free and clear of any Liens and of any other restrictions (including any restrictions on the right to vote, sell or otherwise dispose of such Capital Stock) except as set forth on SCHEDULE 3.2.

3.3 QUALIFICATION. The Company and each of its Subsidiaries is duly qualified or licensed and in good standing as foreign corporations duly authorized to do business in each jurisdiction in which the character of the properties owned or the nature of the activities conducted makes such qualification or licensing necessary, except where the failure to be so qualified or licensed could not have a Material Adverse Effect.

3.4 AUTHORIZATION. The execution, delivery and performance of this Agreement and of each of the Related Agreements, the issuance, sale and delivery of the Securities and the consummation of the other transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Company and, if required, its Subsidiaries.

3.5 DUE EXECUTION AND DELIVERY; BINDING OBLIGATIONS. This Agreement has been duly executed and delivered by the Company. This Agreement is, and at the time of the Closing each of the Related Agreements will be, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or conveyance or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability and except as rights of indemnity or contribution may be limited by federal or state securities or other laws or the public policy underlying such laws.

3.6 NO VIOLATION; SENIOR SUBORDINATED INDEBTEDNESS; SENIOR INDEBTEDNESS.

(a) The execution, delivery and performance by the Company of this Agreement and each of the Related Agreements, and the consummation of the transactions contemplated hereby and thereby (including, without limitation, the issuance, sale and delivery of the Securities), do not and will not violate (i) the charter or bylaws of the Company or any of its Subsidiaries, as amended through the date hereof; (ii) any Applicable Laws; or (iii) any term of any lease, credit agreement, indenture, note, mortgage, instrument or other agreement to which the Company or any of its Subsidiaries is a party or by which any of its or their properties or assets are bound. Neither the Company nor any of its Subsidiaries is currently in violation of (A) its charter or bylaws, as amended through the date hereof, (B) any term of any material lease, credit agreement, note, instrument or other agreement (including, without

limitation, any agreements executed in connection with any Securitization Transactions) to which it is a party or (C) to the best knowledge of the Company, any Applicable Laws.

(b) No "default" or "event of default" has occurred and is continuing under any agreement, instrument or other document to which the Company or any of its Subsidiaries is a party which evidences or governs any Indebtedness of the Company or its Subsidiaries, as the case may be (other than such "defaults" or "events of default" as have been duly waived by the appropriate Person on or prior to the date hereof), including, without limitation, the Bridge Loan Documents. Without limiting the generality of the foregoing, the Company was in full compliance with all of its covenants (financial and otherwise) contained in such agreements, instruments and other documents at September 30, 1998, and October 31, 1998.

(c) The Indebtedness evidenced by the Note ranks PARI PASSU with the RISRS, the PENS and the Stanwich Senior Subordinated Debt. As of the Closing Date, all Stanwich Indebtedness other than the Stanwich Senior Subordinated Debt ranks junior, and is subordinate in right to payment and rights upon liquidation, to the Indebtedness evidenced by the Note. As of the Closing Date, there is no existing agreement, indenture, instrument or other document to which the Company or any of its Subsidiaries is a party or by which it or they are bound that requires the subordination in right of payment or rights upon liquidation of any Obligations to Purchaser to the repayment of any other Indebtedness of the Company or any of its Subsidiaries (other than the ESFR Agreement and the Bank of America Facility), nor are any Obligations to Purchaser subordinate in right of payment or rights upon liquidation to any other Indebtedness of the Company or its Subsidiaries (other than the ESFR Agreement and the Bank of America Facility and trade payables of the Company).

(d) No Credit Trigger or Insurance Agreement Event of Default has occurred and is continuing under any agreement delivered in connection with any Securitization Transactions.

3.7 GOVERNMENTAL AND OTHER THIRD PARTY CONSENTS. Except for the Consents which have already been duly obtained or made, none of the Company, any of its Subsidiaries or any Affiliate of the Company is required to obtain any Consent, or required to make any declaration or filing (other than the filing of a Form 8-K) with, (i) any Governmental Authority or (ii) any trustee, credit enhancer, rating agency or other party to any Securitization Transaction in connection with the execution and delivery of this Agreement or any Related Agreement or the issuance, sale and delivery of the Securities hereunder, or for the purpose of maintaining in full force and effect any Licenses and Permits (except where the failure to maintain any License and Permit could not have a Material Adverse Effect). SCHEDULE 3.7 sets forth a true and correct list of all Consents which have been obtained or made, each of which is in full force and effect. The time within which any administrative or judicial appeal, reconsideration, rehearing or other review of any such Consent may be taken or instituted has lapsed, and no such appeal, reconsideration or rehearing or other review has been taken or instituted.

3.8 CAPITALIZATION.

(a) The authorized capital stock of the Company consists of 30,000,000 shares of Common Stock and 10,000,000 shares of serial preferred stock, par value $1.00 per share. As of the date hereof, (i) 15,658,501 shares of Common Stock were issued and outstanding (including shares of restricted Common Stock); (ii) no shares of serial preferred stock of the Company were issued and outstanding; (iii) 4,200,000 shares of Common Stock were reserved for issuance under the Existing Stock Plans, of which options to purchase 419,200 shares are available for future grants, options to purchase 1,428,400 shares have been exercised, options to purchase 2,352,400 shares are outstanding and options to purchase 693,370 shares are exercisable; (iv) an aggregate of 2,412,229 shares of Common Stock were reserved for issuance upon conversion of the PENS and of the Stanwich Indebtedness; and (e) an aggregate of 345,000 shares of Common Stock were reserved for issuance upon conversion of the Bridge Warrant. All of the issued and outstanding shares of Capital Stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, and are free of any preemptive or other similar rights to subscribe for or to purchase any such Capital Stock. Except (A) for the PENS and the Stanwich Indebtedness, (B) as contemplated by this Agreement and the Related Agreements and (C) as disclosed in SCHEDULE 3.8, there are: (v) no outstanding securities or obligations of any Person convertible into or exchangeable for any shares of Capital Stock of the Company (collectively, "Convertible Securities"); (w) no outstanding warrants, rights or options to subscribe for or purchase, or obligations to issue, any shares of Capital Stock of the Company or any Convertible Securities of the Company (collectively, "Option Rights"); (x) no voting trusts or other agreements or undertakings with respect to the voting of the Capital Stock of the Company; (y) no obligations on the part of the Company to purchase or redeem any outstanding shares of its Capital Stock, any Convertible Securities or any Option Rights; and (z) no agreements granting any Person any rights of first offer or first refusal, registration rights or "drag-along," "tag-along" or similar rights with respect to any transfer of any Capital Stock of the Company, any Convertible Securities or any Option Rights. All such shares of Capital Stock, Convertible Securities and Option Rights have been issued and offered without violation of any applicable federal or state securities law. No shares of Capital Stock of the Company will become issuable to any Person pursuant to any "anti-dilution" provisions of any issued and outstanding securities of the Company on account of the issuance of the Securities, the exercise of the Primary Warrant or the application of the "anti-dilution" provisions contained in the Primary Warrant.

(b) The Company has not incurred, and will not incur, any charges to its statement of operations in connection with the repricing on or about October 22, 1998, of outstanding stock options issued under its Existing Stock Plans.

3.9 VALIDITY AND ISSUANCE OF PRIMARY WARRANT SHARES. The Primary Warrant Shares, when issued, delivered and paid for pursuant to the terms of the Primary Warrant, will be duly and validly issued, fully paid and nonassessable.

3.10 TRANSACTIONS WITH AFFILIATES.

(a) Except as set forth in SCHEDULE 3.10, during the period commencing January 1, 1996 and ending December 31, 1997, no shareholder, employee, officer, director or Affiliate of the Company or any of its Subsidiaries or, to the best knowledge of the Company, Affiliate of any such Person, and no member of the Immediate Family of any such Person, has engaged in any transaction or relationship with the Company or any of its Subsidiaries involving amounts in excess of $60,000 (other than the payment of compensation to such Persons in the ordinary course of business).

(b) Except as set forth in SCHEDULE 3.10, since January 1, 1998, no shareholder, employee, officer, director or Affiliate of the Company or any of its Subsidiaries or, to the best knowledge of the Company, Affiliate of any such Person, and no member of the Immediate Family of any such Person, has engaged in any transaction or relationship with the Company or any of its Subsidiaries (other than the payment of compensation to such Persons in the ordinary course of business).

(c) SCHEDULE 3.10 sets forth a true, complete and accurate description of the terms of each transaction or relationship required to be set forth on SCHEDULE 3.10.

(d) No Subsidiary of the Company loans or advances funds to any of its officers, directors, employees or, if any, minority shareholders.

(e) This SECTION 3.10 does not apply to transactions or relationships involving (i) sales or transfers of Automobile Contracts (or interests therein) between or among the Company and its Subsidiaries in connection with any Securitization Transactions (including, without limitation, any warehousing transactions) or (ii) any Investments disclosed on SCHEDULE 3.12.

3.11 FINANCIAL STATEMENTS; DISCLOSURE.

(a) SCHEDULE 3.11 set forth a true and correct list of the Company SEC Documents and monthly board packages previously furnished by the Company to the Purchaser, including the financial statements (and related notes thereto) and other financial information disclosed therein (collectively, the "Financial Statements"). The Financial Statements have been prepared in accordance with GAAP applied on a consistent basis (except that, with respect to the monthly board packages, the Dealer acquisition fees reflected in the financial statements included therein have not been accounted for in accordance with GAAP) and fairly present the consolidated and consolidating financial position and results of operations of the Company and its Subsidiaries as of the dates and for the periods indicated therein. Except as set forth in SCHEDULE 3.11, since September 30, 1998, there has not been any Material Adverse Change.

(b) All financial statements and other financial information not included in the Financial Statements and previously furnished by or on behalf of the Company, its Subsidiaries or any of their representatives or agents to the Purchaser in connection with this Agreement and the transactions contemplated hereby adequately reflect the financial position and results of operations of the Company and its Subsidiaries, as applicable, as of the dates and for the period indicated therein, and do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein or therein contained not misleading.

(c) Neither the Company nor any of its Subsidiaries is contemplating the filing of a petition under the Bankruptcy Law or the liquidation of all or any major portion of its assets or properties, except as contemplated by the CPS Operating Plan, and neither the Company nor any of its Subsidiaries is aware of any Person contemplating the filing of any petition against it under the Bankruptcy Law.

(d) The Company has furnished to the Purchaser a PRO FORMA balance sheet of the Company and its Subsidiaries projected as of the Closing Date (the "Closing Balance Sheet") and adjusted to give effect to the transactions contemplated by this Agreement. Such Closing Balance Sheet presents fully and fairly in all material respects the PRO FORMA consolidated financial position of the Company and its Subsidiaries as of the Closing Date, and properly gives effect in all material respects to the application of the PRO FORMA adjustments described therein and contemplated herein.

3.12 EXISTING INDEBTEDNESS; LIENS; INVESTMENTS; GUARANTIES; MATERIAL LIABILITIES.

(a) SCHEDULE 3.12 sets forth a true and correct list, and describes, as of the date or dates indicated therein:

(i) all existing Indebtedness of the Company and its Subsidiaries (collectively,"Existing Indebtedness");

(ii) all existing security interests and other Liens in respect of any property or assets of the Company and its Subsidiaries other than Permitted Liens (collectively, "Existing Liens");

(iii) all outstanding Investments (other than Investments made under any pooling and servicing agreement or insurance agreement with respect to any Securitization Transaction) of the Company and its Subsidiaries; and

(iv) all existing Guarantees of the Company and its Subsidiaries.

(b) Neither the Company nor any of its Subsidiaries has any liabilities or obligations, whether accrued, absolute, contingent or otherwise (whether individually or in the aggregate), except for (i) liabilities and obligations reflected in the Financial Statements and the

related notes thereto; (ii) trade payables and other accrued expenses incurred in the ordinary course of business; and (iii) liabilities and obligations which, either individually or in the aggregate, have not had and could not have a Material Adverse Effect.

(c) As of the date hereof, the aggregate outstanding principal balance of the NAB Loans is $2,544,395.

3.13 CERTAIN CHANGES. Except as set forth on SCHEDULE 3.13, since September 30, 1998, there has not been:

(a) any damage or destruction to, or loss of, any asset of the Company or any of its Subsidiaries, whether or not covered by insurance, which could have a Material Adverse Effect;

(b) any waiver by the Company or any of its Subsidiaries of a valuable right or of a material debt owed to it, other than those arising in the ordinary course of business in connection with the Company's servicing and collection activities relating to Automobile Contracts;

(c) any satisfaction or discharge of any Lien or payment of any obligation by the Company or any of its Subsidiaries outside of the ordinary course of business;

(d) any material change or amendment to any Automobile Contract, Dealer Agreement or Material Contract by which the Company, any of its Subsidiaries or any of its or their respective properties or assets is bound or subject, other than those arising in the ordinary course of business in connection with the Company's servicing and collection activities relating to Automobile Contracts;

(e) any material adverse change in the assets, liabilities, condition (financial or otherwise) or operations of the Company or any of its Subsidiaries;

(f) any change in the contingent obligations of the Company or any of its Subsidiaries, by way of Guarantees or otherwise;

(g) any declaration or payment of any dividend or other distribution of assets of the Company to its shareholders, or the adoption or consideration of any plan or arrangement with respect thereto;

(h) any resignation or termination of the employment of any director, officer or key employee of the Company or any of its Subsidiaries;

(i) any Investment by the Company or any of its Subsidiaries in the Capital Stock of any Person;

(j) any offer, issuance or sale of any shares of Capital Stock of the Company or any Option Rights or Convertible Securities, other than the Bridge Warrant;

(k) any change in the Company's credit guidelines and policies, charge-off policies or accounting methods, procedures or policies;

(l) any incurrence of any Indebtedness by the Company or any of its Subsidiaries, other than the Indebtedness evidenced by the Bridge Note;

(m) any agreement or commitment to do any of the foregoing;

(n) any deterioration in the quality of the portfolio of Automobile Contracts owned by the Company or any of its Subsidiaries; or

(o) any other event or condition of any character which could have a Material Adverse Effect.

3.14 MATERIAL CONTRACTS; AUTOMOBILE CONTRACTS.

(a) SCHEDULE 3.14(a) sets forth a true and complete list of all material contracts, agreements, commitments or arrangements, whether oral or written, of the Company and any of its Subsidiaries, including, without limitation, all servicing agreements, sub-servicing agreements, leases (whether real property or personal property), pooling and servicing agreements, agreements entered into in connection with any Securitization Transactions, underwriting agreements, dealer affiliation agreements, employment and other agreements with management, joint venture agreements, partnership agreements, agreements, instruments and other documents evidencing Indebtedness (including, without limitation, the ESFR Agreement and the Subordinated Agreements) and all other material agreements and commitments (including, without limitation, all agreements, commitments or arrangements involving, in any instance, any obligation of the Company or any of its Subsidiaries to pay an amount in excess of $100,000, or the breach or termination of which could have a Material Adverse Effect) (all such contracts, agreements, commitments and arrangements being collectively referred to herein as the "Material Contracts"). Each Material Contract is legal, valid, binding and enforceable against the parties thereto in accordance with its terms and is in full force and effect as of the date hereof. The Company and its Subsidiaries (as applicable) and, to the best knowledge of the Company, all third parties to the Material Contracts are in substantial compliance with the terms thereof, and no default or event of default by the Company or, to the best knowledge of the Company, any such third party, exists thereunder.

(b) Each Automobile Contract arose from the sale or lease of Goods, was originated by the Company or any of its Subsidiaries, or by a Dealer or other Person and subsequently purchased by the Company or such Subsidiary, and is a BONA FIDE and valid deferred payment obligation of the Automobile Contract Debtor, providing for the retention of a

first lien or security interest in the underlying Goods to secure payment of the obligation evidenced thereby, and is binding and enforceable against the Automobile Contract Debtor in accordance with its terms, and neither the Company nor any of its Subsidiaries knows of any fact which impairs or will impair the validity of any such Automobile Contract, except where the failure of any Automobile Contracts, individually or in the aggregate, to be BONA FIDE, valid, binding or enforceable or the impairment of any Automobile Contracts, individually or in the aggregate, could not have a Material Adverse Effect. The Automobile Contracts and related Automobile Security Documents are free of any claim for credit, deduction, discount, allowance, defense (including the defense of usury), dispute, counterclaim or setoff which, individually or in the aggregate, could have a Material Adverse Effect. Each Automobile Contract is free of any Lien in favor of any Person other than the Company. Each Automobile Contract correctly sets forth the payment terms between the Company and the Automobile Contract Debtor, including the interest rate applicable thereto. To the best knowledge of the Company, the signatures of all Automobile Contract Debtors are genuine and each Automobile Contract Debtor had the legal capacity to enter into and execute such documents on the date thereof. There is only one original counterpart of the Automobile Contract executed by the Automobile Contract Debtor (with the possible exception of one duplicate original counterpart which, if in existence, is in the Contract Debtor's sole possession). SCHEDULE 3.14(b) sets forth true and correct portfolio performance reports.

3.15 TRADE ACCOUNTS PAYABLE. Except to the extent disputed in good faith by the Company, all trade accounts payable of the Company and its Subsidiaries were incurred in the ordinary course of business and are valid. SCHEDULE 3.15 sets forth a true and complete list of all trade accounts payable of the Company and its Subsidiaries as of the date hereof, reflecting agings per trade account payable in categories of 30, 60, 90 and more than 90 days after the date of invoice.

3.16 LABOR AGREEMENTS AND ACTIONS. Neither the Company nor any of its Subsidiaries is bound by or subject to any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or sought to represent any of the employees, representatives or agents of the Company or any such Subsidiaries. There is no strike or other labor dispute, including, without limitation, any unfair labor practice, charge or other proceeding before the National Labor Relations Board, involving the Company pending or, to the best knowledge of the Company, threatened. Neither the Company nor any of its Subsidiaries is aware of any labor organization activity involving the employees of the Company or any of its Subsidiaries, or of any officer or key employee, or any group of officers or key employees, that intends to terminate his or her employment with the Company. The Company has no knowledge of any fact or circumstance which could, with the passage of time or otherwise, cause this representation and warranty to be no longer true and correct. Each of the Company and its Subsidiaries is in compliance with all provisions of the Fair Labor Standards Act, all state wage and hour laws and all workers compensation laws, except where the failure to be in compliance could not have a Material Adverse Effect.

3.17 EMPLOYEE BENEFIT PLANS; ERISA. All pension, retirement, bonus, profit sharing, stock option, employee and other benefit or welfare plans or arrangements maintained by the Company or any of its Subsidiaries, or to which the Company or any of its Subsidiaries contributes or is required to contribute, to the extent required, comply with the provisions of and have been administered and maintained in compliance with the provisions of ERISA and all other Applicable Laws. Neither the Company nor any of its Subsidiaries (a) maintains, and in the past has never maintained, any "employee pension benefit plan" within the meaning of Section 3(2) of ERISA or (b) contributes to, and in the past has never contributed to, any "multiemployer plan," as defined in Section 4001(a)(3) of ERISA. There are no unpaid liabilities of the Company or any of its Subsidiaries with respect to, and no unfunded benefits (whether vested or not) under, any "employee welfare benefit plan" (as defined in Section 3(1) of ERISA) maintained by the Company or any of its Subsidiaries, other than unpaid liabilities with respect to the Company's Employee Savings (401(k) Plan) that do not exceed $50,000 in the aggregate and which are reflected on the Closing Balance Sheet in accordance with GAAP, and any such liabilities incurred after the Closing Date will be incurred only in the ordinary course of business and properly reflected in the financial statements of the Company in accordance with GAAP. SCHEDULE 3.17 sets forth a list of all "employee welfare benefit plans" of the Company.

3.18 TAXES. Each of the Company and its Subsidiaries has timely filed within required time periods, including permitted extensions, all federal, state and other Tax returns required to have been filed and has paid all Taxes which were due and payable prior to the date hereof, other than Taxes that are being contested in good faith and for which reserves have been properly established on the Closing Balance Sheet. Each of the Company and its Subsidiaries has withheld and paid all Taxes required to be withheld and paid in connection with amounts paid or owing to any employee, creditor, shareholder or other third party. Except as set forth in SCHEDULE 3.18, (a) neither the Company nor any of its Subsidiaries has been advised that any Tax returns of the Company or any of its Subsidiaries have been or are being audited by any Governmental Authority, (b) there are no agreements, waivers or other arrangements providing for an extension of time with respect to the assessment of any Taxes or deficiency against the Company or any of its Subsidiaries, (c) there are no actions, suits, proceedings or claims now pending against the Company or any of its Subsidiaries in respect of any Taxes or assessments, and (d) there is no pending or, to the best knowledge of the Company, threatened investigation of the Company or any Subsidiaries by any Governmental Authority relating to any Taxes or assessments, or any claims for additional taxes or assessments asserted by any Governmental Authority. Neither the Company nor any of its Subsidiaries is a party to or bound by any tax sharing, tax indemnity or tax allocation agreement or other similar arrangement.

3.19 LITIGATION. Except as set forth on SCHEDULE 3.19 and except with respect to Automobile Contracts, there are no (a) actions, suits, proceedings or investigations pending or threatened before any Governmental Authority against or affecting the Company or any of its Subsidiaries or Affiliates or (b) orders, decrees, judgments, injunctions or rulings of any Governmental Authority against the Company or any of its Subsidiaries or Affiliates. All

claims pending against the Company or any of its Subsidiaries under or with respect to any Automobile Contracts do not exceed $500,000 in the aggregate. There is no action, suit or other proceeding pending or threatened which questions the validity of this Agreement, the Note or the other Related Agreements or any action taken or to be taken pursuant hereto or thereto, or which could, individually or in the aggregate, have a Material Adverse Effect.

3.20 GOVERNMENTAL REGULATION; MARGIN STOCK. Neither the Company nor any of its Subsidiaries is subject to the Investment Company Act of 1940, as amended, or to any Applicable Laws limiting its ability to incur Indebtedness or to create Liens on any of its properties or assets to secure such Indebtedness. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying Margin Stock. The value of all Margin Stock held by the Company and its Subsidiaries constitutes less than 5.0% of the value, as determined in accordance with the Margin Regulations, of all assets of the Company and its Subsidiaries.

3.21 COMPLIANCE WITH LAWS; LICENSES AND PERMITS. Each of the Company and its Subsidiaries is in compliance in all material respects with all Applicable Laws. SCHEDULE 3.21 sets forth a true and complete list of all Licenses and Permits held by the Company and its Subsidiaries in connection with the conduct of their businesses, and such Licenses and Permits constitute all of the Licenses and Permits required under Applicable Laws to conduct their respective businesses as now conducted and as proposed to be conducted, except where the failure to hold the same could not have a Material Adverse Effect. All of Licenses and Permits are validly issued and in full force and effect, and the Company and its Subsidiaries have fulfilled and performed all of their obligations with respect thereto and have full power and authority to operate thereunder.

3.22 TITLE TO PROPERTIES AND ASSETS; LIENS. Each of the Company and its Subsidiaries has good and marketable title to all of its properties and assets, and none of such properties or assets is subject to any Liens except for the Existing Liens and for Permitted Liens. Each of the Company and its Subsidiaries enjoys quiet possession under all leases to which they are parties as lessees, and all of such leases are valid, subsisting and in full force and effect. None of such leases contains any provision restricting the incurrence of indebtedness by the lessee or any unusual or burdensome provision materially adversely affecting the current and proposed operations of the Company and its Subsidiaries.

3.23 INTELLECTUAL PROPERTY.

(a) Each of the Company and its Subsidiaries owns, or is licensed or otherwise possesses legally enforceable rights to use, all Intellectual Property that is used in the conduct of its business as currently conducted and as proposed to be conducted, except where the failure to own, license or possess the same could not have a Material Adverse Effect. SCHEDULE 3.23 lists (i) all patents, patent applications, trademarks, servicemarks, trademark and

servicemark applications, copyrights and trade names owned or held by the Company or any of its Subsidiaries and used in the conduct of its or their businesses, including the jurisdictions in which each such Intellectual Property right has been issued or registered or in which any such application for such issuance or registration has been filed; (ii) all material written licenses, sublicenses and other agreements to which the Company or any of its Subsidiaries is a party and pursuant to which any Person (other than employees of the Company in the course of their employment) is authorized to use any such Intellectual Property rights; and (iii) all material written licenses, sublicenses and other agreements to which the Company or any of its Subsidiaries is a party and pursuant to which the Company or any of its Subsidiaries is authorized to use any third party patents, trademarks or copyrights, including computer software ("Third Party Intellectual Property Rights") which are used in the businesses of the Company or the Subsidiaries or which form a part of any product or service of the Company or its Subsidiaries, all of which are in full force and effect. The Company has made available to the Purchaser correct and complete copies of all such patents, registrations, applications, licenses and agreements and related documentation, all as amended to date. Neither the Company nor any of its Subsidiaries has agreed to indemnify any Person for or against any infringement, misappropriation or other conflict with respect to any item of Intellectual Property that the Company owns or uses. Neither the Company nor any of its Subsidiaries is a party to any oral license, sublicense or agreement which, if reduced to written form, would be required to be listed in SCHEDULE 3.23 under the terms of this SECTION 3.23.

(b) Neither the Company nor any of its Subsidiaries will be, as a result of the execution and delivery of this Agreement or the performance of the Company's obligations under this Agreement, in breach of any license, sublicense or other agreement relating to the Intellectual Property or Third Party Intellectual Property Rights.

(c) Neither the Company nor any of its Subsidiaries has been named in any suit, action or other proceeding which involves a claim of infringement of any Intellectual Property rights of any third party. Except as disclosed in SCHEDULE 3.23, the performance of the services offered by the Company and its Subsidiaries do not infringe on any Intellectual Property right of any other Person, and to the best knowledge of the Company, the Intellectual Property rights of the Company and its Subsidiaries are not being infringed by activities, products or services of any third party.

3.24 BROKERS; CERTAIN EXPENSES. Neither the Company nor any of its Subsidiaries has paid or is obligated to pay any fee or commission to any broker, finder, investment banker or other intermediary in connection with this Agreement, any Related Agreement or any of the transactions contemplated hereby or thereby. Except for the monthly fixed advisory fee required to be paid by the Company under the Stanwich Consulting Agreement, neither the Company nor any of its Subsidiaries is bound by any agreement or commitment for the provision of investment banking or financial advisory services with respect to any proposed recapitalization, issuance of debt or equity securities or other transactions involving the

Company or any of its Subsidiaries or the provision of any other investment banking or financial advisory services to the Company or any of its Subsidiaries.

3.25 REAL PROPERTY LEASES. SCHEDULE 3.25 sets forth a true and complete list of all real property leases, subleases and licenses pursuant to which the Company or any of its Subsidiaries is a lessor, lessee, sublessor, sublessee, licensor or licensee of real property, including the term thereof, any extension and renewal options, and the rent payable thereunder. The Company has delivered to the Purchaser correct and complete copies of the same (as amended to date). With respect to each such lease, sublease and license, except as set forth on SCHEDULE 3.25:

(a) Such lease, sublease and license is legal, valid, binding and enforceable against the parties thereto;

(b) no party thereto is in breach or default, and no event has occurred which, with notice or lapse of time, would constitute a breach or default or permit termination, modification, or acceleration thereunder;

(c) there are no disputes, oral agreements or forbearance programs in effect;

(d) neither the Company nor any of its Subsidiaries, as the case may be, has assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest therein, except as contemplated by the ESFR Agreement;

(e) there are no restrictions therein which prohibit the issuance of the Securities, prohibit or restrict any merger, sale of assets or other event which could cause any Change in Control, or otherwise restrict or prohibit any other financings by the Company, including, without limitation, any public or private debt or equity financings; and

(f) All parking lots located on any real property subject thereto are in compliance with Applicable Laws, including, without limitation, zoning requirements.

3.26 POWERS OF ATTORNEY. There are no outstanding powers of attorney executed on behalf of the Company or any of its Subsidiaries.

3.27 INSURANCE. SCHEDULE 3.27 sets forth a true and complete list of all liability and other insurance policies insuring the Company and its Subsidiaries against losses arising out of or related to the businesses of the Company and its Subsidiaries (and accurately describes the coverage carried and expiration dates of such policies). Each of the Company and its Subsidiaries is covered by insurance in scope and amount customary and reasonable for the businesses in which it is engaged and will be so covered after consummation of the transactions contemplated hereby. The insurance policies listed on SCHEDULE 3.27 constitute insurance protection against all liability, claims and risks occurring in the ordinary course of business

customarily included within comprehensive liability coverage and at amounts and levels customarily maintained for a business of this type. All such policies are in full force and effect.

3.28 BOOKS AND RECORDS. The minute books and other similar records of the Company and its Subsidiaries contain true and complete records of all actions taken at any meetings of the Board of Directors of the Company or any committees thereof and shareholders of the Company and its Subsidiaries and of all written consents executed in lieu of the holding of any such meetings. The books and records of the Company accurately reflect in all respects the assets, liabilities, business, financial condition and results of operations of the Company and have been maintained in accordance with good business, accounting and bookkeeping practices.

3.29 DEALERS. SCHEDULE 3.29 sets forth a true and complete list of all Dealers. No Dealer accounts for more than five percent (5.0%) of the aggregate Amount Financed (as defined in ANNEX A) under Automobile Contracts purchased by the Company during the calendar year ended December 31, 1997 and the ten (10) month period ended October 31, 1998.

3.30 PERSONAL PROPERTY LEASES. SCHEDULE 3.30 sets forth a true and complete list and description of all agreements (or group of related agreements) for the lease of personal property requiring payments by the Company or its Subsidiaries over the remaining life of the lease of $10,000 or more. Neither the Company nor its Subsidiaries has breached any agreement pertaining to, is in default with respect to, or is overdue in payment of, any amounts owing under any lease agreement disclosed on SCHEDULE 3.30, except where any such breach (or breaches) or default (or defaults), individually or in the aggregate, could not have a Material Adverse Effect. No such lease agreement contains any provisions which restrict or prohibit (a) the issuance of the Securities, (b) any other financings by the Company or any Subsidiaries, including, without limitation any public or private debt or equity financings or (c) other than ordinary restrictions on assignment, any merger, sale of assets or other event which could cause a Change in Control.

3.31 EMPLOYMENT AND AGENCY AGREEMENTS. SCHEDULE 3.31 sets forth a true and complete list of all employment, agency, independent contractor or sales representative agreements, golden parachute agreements and non-competition or non-solicitation agreements to which the Company or any of its Subsidiaries is a party, true and complete copies of which have been provided to the Purchaser. Each such agreement is in writing, is a valid and binding agreement enforceable in accordance with its terms, and no party to any such agreement is in breach of, or in default with respect to, its obligations under such agreement nor is the Company or any of its Subsidiaries aware of any facts or circumstances which might give rise to a breach or default thereunder.

3.32 SOLVENCY. After giving effect to the transactions contemplated in this Agreement and each of the Related Agreements, each of the Company and its Subsidiaries (other than Samco Acceptance Corp.) has a positive net worth and is Solvent. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated

by this Agreement and the Related Agreements with the intent to hinder, delay or defraud either present or future creditors of the Company or any of its Subsidiaries.

3.33 ENVIRONMENTAL MATTERS. Neither the Company nor any of its Subsidiaries has ever caused or permitted any Hazardous Materials to be disposed of on or under any Real Property, and no Real Property has ever been used (by the Company and/or any Subsidiary or, to the best knowledge of the Company, by any other Person) as (a) a disposal site or permanent storage site for any Hazardous Materials or (b) a temporary storage site for any Hazardous Materials. Each of the Company or its Subsidiaries has been issued and is in compliance with all material Licenses and Permits relating to environmental matters and necessary or desirable for its business, and has filed all notifications and reports relating to chemical substances, air emissions, underground storage tanks, effluent discharges and Hazardous Materials waste storage, treatment and disposal required in connection with the operation of its businesses, the failure to have or comply with which, individually or in the aggregate, has had or could have a Material Adverse Effect. All Hazardous Materials used or generated by the Company or any of its Subsidiaries or any business merged into or otherwise acquired by the Company or any of its Subsidiaries have been generated, accumulated, stored, transported, treated, recycled and disposed of in compliance with all Environmental Laws, the violation of which has any reasonable likelihood of having a Material Adverse Effect. Neither the Company nor any of its Subsidiaries has any liabilities with respect to Hazardous Materials, and to the best knowledge of the Company, no facts or circumstances exist which could give rise to liabilities with respect to the violation (whether by the Company or any other Person) of any Environmental Laws and/or Hazardous Materials which could have any Material Adverse Effect.

3.34 PUBLIC HOLDING COMPANY; INVESTMENT COMPANY. Neither the Company nor any of its Subsidiaries is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

3.35 DEPOSITORY AND OTHER ACCOUNTS. SCHEDULE 3.35 sets forth a true and complete list of all banks and other financial institutions and depositories at which the Company and its Subsidiaries maintains (or has caused to be maintained) or will maintain deposit accounts, spread accounts, yield supplement reserve accounts, operating accounts, trust accounts, trust receivable accounts or other accounts of any kind or nature into which funds of the Company (including funds in which the Company maintains a contingent or residual interest) or any such Subsidiary are deposited from time to time, and such SCHEDULE 3.35 correctly identifies the name and address of each depository, the name in which each account is held, the purpose of the account and the account number. The Company will promptly notify the Purchaser and supplement SCHEDULE 3.35 as new accounts are established, and the Purchaser is hereby authorized to attach such supplements to such Schedule delivered by the Company.

3.36 TAX STATUS OF SECURITIZATION TRANSACTIONS. None of the trusts created by or on behalf of the Company in connection with any Securitization Transactions are, or will be, classified as an association taxable as a corporation under the IRC or is, or will be, otherwise taxed as a separate entity for federal income tax purposes.

3.37 BURDENSOME OBLIGATIONS; FUTURE EXPENDITURES. Neither the Company nor any of its Subsidiaries is a party to or bound by any agreement (including, without limitation, the Material Contracts listed on SCHEDULE 3.14(a)), instrument, deed or lease or is subject to any charter, bylaw or other restriction, commitment or requirement which, in the opinion of its management, is so unusual or burdensome that in the foreseeable future it could have, or cause or create a material risk of having or causing, a Material Adverse Effect. Neither the Company nor any of its Subsidiaries anticipates that the future expenditures, if any, by the Company and its Subsidiaries needed to meet the provisions of any Applicable Laws will be so burdensome as to have or cause, or create a material risk of having or causing, a Material Adverse Effect.

3.38 FSA INDEBTEDNESS AND LIABILITIES. None of the Company, any of its Subsidiaries or any trust maintained in connection with any Securitization Transactions occurring prior to the Closing Date has any Indebtedness to FSA (or any Affiliate of FSA) pursuant to any agreement, commitment or arrangement to which FSA is a party, other than Indebtedness incurred in connection with Securitization Transactions of the type which the Company believes is customary in similar securitization transactions insured by FSA, the assets of which consist solely of Automobile Contracts.

3.39 CHARGES TO NET INTEREST RECEIVABLE. Neither the Company nor any of its Subsidiaries has taken, or is required by the terms of SFAS 125 to take, any charge with respect to any portion of the Net Interest Receivables.

3.40 SEC DOCUMENTS; UNDISCLOSED LIABILITIES. The Company has filed all required registration statements, prospectuses, reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) with the SEC since December 31, 1993 (the "Company SEC Documents"). As of their respective dates, the Company SEC Documents complied with the requirements of the Securities Act or the Exchange Act, as the case may be, applicable to the Company SEC Documents, and none of the Company SEC Documents, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Company SEC Documents comply as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by Form 10-Q and the SEC) applied on a consistent basis during the periods involved and fairly present the consolidated financial position of the Company and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operations

and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Such financial statements reflect appropriate reserves established for all Automobile Contracts and general ledger accounts in accordance with GAAP. All material information regarding the "Year 2000" issue is fully and adequately disclosed in the Company's SEC Documents.

3.41 DISCLOSURE. After due inquiry of the directors, executive officers and employees of the Company having knowledge of the matters represented, warranted or stated herein, no representation, warranty or other statement made by or on behalf of the Company, its Subsidiaries or its or their respective representatives and agents to the Purchaser, whether written or oral, whether included in any materials provided to the Purchaser prior to the date hereof or included in this Agreement or any Related Agreement or in any Exhibit or Schedule or in any other document or instrument delivered at any time prior to the Closing, is, or will be, untrue with respect to any material fact or omits, or will omit, to state a material fact necessary in order to make the statement made herein or therein, in light of the circumstances in which such statement was made, not misleading. The information contained in each of the management questionnaires completed by certain officers and directors of the Company and delivered to the Purchaser in connection with the transactions contemplated by this Agreement is true and correct.

4. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The Purchaser hereby represents and warrants to the Company that the following statements are true and complete as of the date hereof.

4.1 ORGANIZATION AND GOOD STANDING. The Purchaser is a limited partnership formed and validly existing under the laws of the State of California, and has all requisite power and authority to enter into this Agreement and each Related Agreement to which it is a party and to consummate the transactions contemplated hereby.

4.2 AUTHORIZATION. The execution, delivery and performance of this Agreement and of each of the Related Agreements to which the Purchaser is a party, and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Purchaser.

4.3 DUE EXECUTION AND DELIVERY; BINDING OBLIGATIONS. This Agreement has been duly executed and delivered by the Purchaser. This Agreement is, and at the time of the Closing each of the Related Agreements to which the Purchaser is a party will be, a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or conveyance or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability and except as rights of indemnity or contribution may be limited by federal or state securities or other laws or the public policy underlying such laws.

4.4 NO VIOLATION. The execution, delivery and performance by the Purchaser of this Agreement and each of the Related Agreements to which the Purchaser is a party, and the consummation of the transactions contemplated hereby, do not violate (a) the limited partnership agreement of the Purchaser as in effect on the date hereof, (b) any law, statute, rule or regulation applicable to the Purchaser, (c) any order, ruling, judgment or decree of any Governmental Authority binding on the Purchaser or (d) any term of any material indenture, mortgage, lease, agreement or instrument to which the Purchaser is a party.

4.5 INVESTMENT INTENT. The Purchaser is acquiring the Securities for its own account, for investment purposes, and not with a view to or for sale in connection with any distribution thereof. The Purchaser understands that the Securities have not been registered under the Securities Act or registered or qualified under any state securities law in reliance upon specific exemptions therefrom, which exemptions may depend upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein.

4.6 ACCREDITED INVESTOR STATUS. The Purchaser is an "accredited investor" (as such term is defined in Rule 501 of Regulation D under the Securities Act). By reason of its business and financial experience, the Purchaser has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the investment in the Securities, has the capacity to protect its own interests and is able to bear the economic risk of such investment. The Purchaser has had an opportunity to review the books and records of the Company and to ask questions of representatives of the Company concerning the terms and conditions of the transactions contemplated by this Agreement.

4.7 GOVERNMENTAL CONSENTS. The execution and delivery by the Purchaser of this Agreement and each of the Related Agreements to which it is a party, and the consummation by the Purchaser of the transactions contemplated hereby, do not and will not require any Consent of any Governmental Authority.

5. CONDUCT PRIOR TO CLOSING.

5.1 CONDUCT OF BUSINESS PRIOR TO CLOSING. Without the prior written consent of the Purchaser, from and after the date of this Agreement until the Closing, the Company shall, and shall cause each of its Subsidiaries to, conduct its business in the ordinary course. Notwithstanding the foregoing and except as contemplated hereby, the Company shall not, and shall not permit any of its Subsidiaries to:

(a) waive or release any right or any debt owed to it;

(b) satisfy or discharge any Lien or pay any obligation;

(c) change or amend any contract or arrangement by which the Company or any Subsidiary or any of their properties or assets is bound or subject;

(d) effect any act or omission which could have a Material Adverse Effect;

(e) create any contingent obligation, by way of guarantees or otherwise;

(f) declare or pay any dividend or other distribution or payment in cash, stock or property in respect of shares of its Capital Stock, or adopt or consider any plan or arrangement with respect thereto or make any direct or indirect redemption, retirement, purchase or other acquisition of any of its Capital Stock or split, combine or reclassify its outstanding shares of Capital Stock;

(g) issue any shares of Capital Stock or any Option Rights or Convertible Securities (other than shares of Common Stock issued upon the exercise of (i) stock options issued under the Existing Stock Plans and (ii) Convertible Securities and Option Rights set forth on SCHEDULE 3.8);

(h) (i) increase the compensation of any officer or key employee; (ii) adopt any new employee benefit plan; or (iii) enter into any new employment or consulting agreement;

(i) (i) incur any Indebtedness; (ii) transfer, lease, license, sell, mortgage, pledge, dispose of, or encumber any asset of the Company with a value exceeding $10,000 individually, and $50,000 in the aggregate; (iii) purchase or acquire any business or any securities or assets of a business; (iv) enter into any joint venture or partnership; (v) settle any material litigation or waive or relinquish any material right or benefit; or (vi) accelerate payments on any Indebtedness;

(j) make any Capital Expenditures in excess of $25,000 in the aggregate;

(k) fail to preserve intact the business organization of the Company and each of its Subsidiaries, fail to keep available the services of their operating personnel, or fail to preserve the goodwill of those having business relationships with the Company or its Subsidiaries, including, without limitation, customers;

(l) fail to maintain its books and records in accordance with GAAP; or

(m) take any action which would be prohibited by any of the Related Agreements determined as if the transactions contemplated by this Agreement had been consummated.

In addition, the Company shall notify the Purchaser in writing of the occurrence of any Material Adverse Effect or breach of the representations and warranties of the Company under this Agreement within one (1) day following the occurrence thereof.

5.2 ACCESS TO INFORMATION AND DOCUMENTS. From and after the date of this Agreement until the Closing, the Company and each of its Subsidiaries shall give the Purchaser and its representatives and agents full access during normal business hours to the properties, documents, books and records of the Company and each of its Subsidiaries, and shall furnish the Purchaser with such information concerning the Company and each of its Subsidiaries as the Purchaser may request.

5.3 COVENANT TO CLOSE. Each of the Company and the Purchaser shall use its best efforts to consummate the transactions contemplated by this Agreement pursuant to the terms hereof. Without limiting the generality of the foregoing, the Company shall use its best efforts to obtain all Consents from third parties which are required to be obtained in connection with the consummation of each of the transactions contemplated by this Agreement, including, without limitation, any Consents of the holders of any Indebtedness of the Company or of its Subsidiaries for the purpose of ensuring the incurrence by the Company of the Indebtedness evidenced by the Note.

6. CONDITIONS TO THE OBLIGATIONS OF THE PURCHASER. The obligation of the Purchaser to consummate the transactions contemplated hereby, including, without limitation, to purchase the Note, is subject to the satisfaction, prior to or at the Closing, of the conditions set forth in this SECTION 6; PROVIDED, HOWEVER, that any or all of such conditions may be waived, in whole or in part, by the Purchaser in its sole and absolute discretion:

6.1 REPRESENTATIONS AND WARRANTIES; NO DEFAULT. Each of the representations and warranties made by the Company contained in this Agreement shall be true and correct in all material respects as of the date made, and shall be true and correct in all material respects as of the Closing Date, with the same effect as if made on and as of the Closing Date, the Company shall have performed or satisfied each of its covenants, agreements and obligations hereunder to be performed or satisfied by it on or prior to the Closing Date, and there shall not exist on the Closing Date any Default or Event of Default. The Company shall have delivered to the Purchaser an officers' certificate, signed by the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer of the Company, dated as of the Closing Date, to such effect and to the effect that each of the applicable conditions set forth in this SECTION 6 has been satisfied and fulfilled.

6.2 PURCHASE PERMITTED BY APPLICABLE LAWS. The consummation of the transactions contemplated by this Agreement shall not be prohibited by or violate any Applicable Laws and shall not subject any party to any Tax, penalty or liability, under or pursuant to any Applicable Laws, and shall not be enjoined (temporarily or permanently) under, or prohibited by or contrary to, any injunction, order or decree. Without limiting the generality of the foregoing, the consummation of the transactions contemplated hereby shall otherwise comply with all applicable requirements of federal and state securities laws.

6.3 NO MATERIAL ADVERSE CHANGES. Since September 30, 1998, there shall not have occurred any Material Adverse Change.

6.4 NO JUDGMENT OR ORDER. There shall not be any judgment, ruling or order of any Governmental Authority which, in the judgment of the Purchaser, would prohibit the delivery of the Securities or subject the Purchaser to any penalty if the Securities were to be delivered hereunder.

6.5 OPINION OF COUNSEL. The Purchaser shall have received an opinion letter of Troy & Gould, special counsel to the Company, dated as of the Closing Date and addressed to the Purchaser, in form and substance satisfactory to the Purchaser.

6.6 DELIVERY OF DOCUMENTS. The Company shall have delivered to the Purchaser the following documents:

(a) This Agreement, duly executed by the Company, together with the Disclosure Schedules (PROVIDED that the Purchaser will deliver SCHEDULE 2.2);

(b) The Note, duly executed by the Company;

(c) The Primary Warrant, duly executed by the Company;

(d) A Registration Rights Agreement, in substantially the form of EXHIBIT C (the "Registration Rights Agreement"), duly executed by the Company;

(e) The Investor Rights Agreement, duly executed by the Company, Charles E. Bradley, Sr., Charles E. Bradley, Jr. and Jeffrey P. Fritz;

(f) A second amendment to the ESFR Agreement, in form and substance satisfactory to the Purchaser ("ESFR Amendment No. 2"), duly executed by the Company and the ESFR Lenders, pursuant to which, among other things, the ESFR Lenders consent to or permit the incurrence by the Company of the Indebtedness evidenced by the Note; and

(g) A Secretary's Certificate of the Company, duly executed by the Secretary and the President and Chief Executive Officer of the Company, in form and substance satisfactory to the Purchaser.

6.7 STANWICH TRANSACTIONS.

(a) The Company shall have delivered to the Purchaser the Stanwich Purchase Option, duly executed by Stanwich and the Company.

(b) The Company shall have delivered to the Purchaser, in form and substance satisfactory to the Purchaser and duly executed by the Company, Stanwich and Poole, as the case may be: (i) a debt restructure agreement, in substantially the form of EXHIBIT G (the "Stanwich Debt Restructure Agreement"); (ii) copies of the "Stanwich Replacement Note" and the "Poole Replacement Note" (as such terms are defined in the Stanwich Debt Restructure Agreement); and (iii) the "Consolidated Registration Rights Agreement" (as such term is defined in the Stanwich Debt Restructure Agreement);

(c) The Company shall have delivered to the Purchaser the Addendum to this Agreement, duly executed by Stanwich, with respect to the covenants and obligations of Stanwich under SECTION 8.24; and

(d) The Company shall have delivered to the Purchaser a Subordination Agreement, in substantially the form of EXHIBIT H (the "Stanwich Subordination Agreement"), duly executed by Stanwich, Poole, the Purchaser and the Company.

6.8 CLOSING AND OTHER FEES. The Company shall have paid to the Purchaser, in immediately available funds, a non-refundable, non-accountable closing fee of $700,000.00 (which closing fee may be withheld by the Purchaser from the proceeds of the Note and which withholding shall constitute payment in full of the Company's obligation with respect to such closing fee), and all costs and expenses provided for in SECTION 12.15.

6.9 DUE DILIGENCE. The Purchaser shall have completed its due diligence review of the Company, the Subsidiaries and their respective Affiliates to the Purchaser's satisfaction.

6.10 CLOSING DATE. The Closing Date shall occur on or before November 18, 1998.

6.11 CERTAIN FSA AND ESFR WAIVERS; ESFR FEES.

(a) The Company shall have delivered to the Purchaser a waiver, in form and substance reasonably satisfactory to the Purchaser, duly executed by FSA, under which FSA waives the Insurance Agreement Event of Default occurring as of September 30, 1998;

(b) The Company shall have delivered to the Purchaser a waiver, in form and substance reasonably satisfactory to the Purchaser, duly executed by FSA, under which FSA waives the Insurance Agreement Event of Default occurring as of October 31, 1998;

(c) The Company shall have delivered to the Purchaser a waiver or consent, in form and substance reasonably satisfactory to the Purchaser, duly executed by the ESFR Agent and the ESFR Lenders (such condition precedent may satisfied if such waiver or consent is included in ESFR Amendment No. 2); and

(d) The Company shall have delivered to the Purchaser written evidence of payment by the Company to the ESFR Agent of the fees and expenses required to be paid by the Company under ESFR Amendment No. 2.

6.12 FINANCIAL PROJECTIONS. The Company shall have delivered to the Purchaser financial projections of the Company and its Subsidiaries for the three (3) year period ending December 31, 2001, as previously approved by the Purchaser, accompanied by an officer's certificate specifying, among other things, the assumptions on which such financial projections are based, duly executed by the Chief Financial Officer of the Company, in form and substance satisfactory to the Purchaser.

6.13 CPS OPERATING PLAN. The Company shall have delivered to the Purchaser an operating plan, in reasonable detail and on terms acceptable to the Purchaser (the "CPS Operating Plan"), accompanied by an officer's certificate, duly executed by the Chief Financial Officer of the Company, in form and substance satisfactory to the Purchaser.

6.14 BOARD REPRESENTATIVE. The Company shall have caused a representative of the Purchaser, who shall be designated by the Purchaser prior to the Closing, to have been duly elected or appointed as a member of the Board of Directors of the Company prior to or as of the Closing.

6.15 THIRD PARTY CONSENTS. The Company and each of its Subsidiaries shall have obtained all Consents required to be obtained in connection with the transactions contemplated by this Agreement (including, without limitation, the Consents contemplated by SECTION 5.3), including, without limitation, any Consent under the Bank of America Facility, and the Purchaser shall have approved the terms and conditions thereof.

6.16 DOCUMENTS IN SATISFACTORY FORM. All proceedings taken by the Company and any of its Subsidiaries in connection with the transactions contemplated by this Agreement, all agreements, instruments and other documents specifically referenced in this SECTION 6, and all other agreements, instruments and other documentation which the Purchaser may request in connection with the transactions contemplated by this Agreement, shall be in form and substance satisfactory to the Purchaser, all such documents, where appropriate, to be counterpart originals and/or certified by proper authorities, corporate officials and other Persons. Without limiting the generality of the foregoing, such arrangements shall have been made as may be requested by the Purchaser to ensure that the proceeds from the sale of the Note are applied in the manner set forth in SCHEDULE 2.4, including, without limitation, provision for the direct payment of the obligations of the Company to be paid from such proceeds as provided in SECTION 12.15, the withholding of fees payable to the Purchaser as provided in SECTION 12.15 and the segregation of funds to be paid to third parties concurrent with or following the Closing.

7. CONDITIONS TO THE OBLIGATIONS OF THE COMPANY. The obligation of the Company to consummate the transactions contemplated hereby is subject to the satisfaction,

prior to the Closing, of the conditions set forth in this SECTION 7; PROVIDED, HOWEVER, that any or all of such conditions may be waived, in whole or in part, by the Company in its sole and absolute discretion:

7.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects at and as of the Closing Date after giving effect to the transactions contemplated by this Agreement, as if made on and as of such date, and the Purchaser shall have performed or satisfied all of its covenants and agreements hereunder to be performed or satisfied on or prior to the Closing Date.

7.2 PURCHASE PERMITTED BY APPLICABLE LAWS. The consummation of the transactions contemplated by this Agreement shall not be prohibited by or violate any Applicable Laws and shall not subject any party to any Tax, penalty or liability, under or pursuant to any Applicable Laws, and shall not be enjoined (temporarily or permanently) under, or prohibited by or contrary to, any injunction, order or decree. Without limiting the generality of the foregoing, the consummation of the transactions contemplated hereby shall otherwise comply with all applicable requirements of federal and state securities laws.

7.3 NO MATERIAL JUDGMENT OR ORDER. There shall not be any judgment, ruling or order of any Governmental Authority which, in the reasonable judgment of the Company, would prohibit the delivery of the Securities or subject the Company or its Subsidiaries to any material penalty if the Securities were to be delivered hereunder.

7.4 PAYMENT FOR SECURITIES. The Purchaser shall have (a) paid the Purchase Price as required by SECTION 2.3 and (b) surrendered the Bridge Warrant for cancellation by the Company.

7.5 STANWICH PURCHASE OPTION. The Purchaser shall deliver to the Company the Stanwich Purchase Option, duly executed by the Purchaser.

8. AFFIRMATIVE COVENANTS. The Company covenants and agrees that, so long as any Obligations to Purchaser remain outstanding or the Purchaser owns or has the right to acquire at any time, directly or indirectly, five percent (5%) or more of the issued and outstanding Common Stock, the Company shall perform, comply with and observe the covenants set forth in this SECTION 8.

8.1 PAYMENTS WITH RESPECT TO THE NOTE. The Company shall pay all principal of, premium, if any, interest and other amounts due pursuant to the terms of the Note on the dates and in the manner provided for therein including, without limitation, all mandatory prepayments of principal of and interest on the Note as specifically required under the terms of the Note.

8.2 INFORMATION COVENANTS. The Company shall furnish to the Purchaser:

(a) Within ninety (90) days after the end of each fiscal year of the Company, (i) the audited consolidated and consolidating balance sheets of the Company and its Subsidiaries at the end of such year, and (ii) the related audited consolidated and consolidating statements of income, shareholders' equity and cash flows for such fiscal year, setting forth in comparative form with respect to such financial statements figures for the previous fiscal year, all in reasonable detail, together with the opinion thereon of independent public accountants selected by the Company and reasonably satisfactory to the Purchaser (it being understood that the current accountants of the Company are satisfactory to the Purchaser), which opinion shall be unqualified and shall state that such financial statements have been prepared in accordance with GAAP applied on a basis consistent with that of the preceding fiscal year (except for changes, if any, which shall be specified and approved by the Purchaser in advance of the delivery of such opinion) and that the audit by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards; PROVIDED, HOWEVER, that such accountants' certification may be limited to the consolidated financial statements, in which case the consolidating financial statements shall be certified by the Chief Financial Officer of the Company;

(b) (i) Within forty-five (45) days after the end of each of the first three (3) quarterly accounting periods in each fiscal year of the Company, (A) the unaudited consolidated and consolidating balance sheets of the Company and its Subsidiaries as at the end of such period, and (B) the related unaudited consolidated and consolidating statements of income and cash flows for such period and for the period from the beginning of the current fiscal year to the end of such period, all in reasonable detail and signed by the Chief Financial Officer of the Company; (ii) no later than the ninth business day of each calendar month, a copy of the ESFR Compliance Certificate required to be delivered to each ESFR Lender pursuant to Section 5.1(b)(x) of the ESFR Agreement, together with a statement, signed by the Chief Financial Officer of the Company, certifying that no event or condition which constitutes a Default or Event of Default exists; (iii) no later than the seventh Business Day of each calendar month, a copy of the Pool Summary report (as such term is defined in the ESFR Agreement) required to be delivered to each ESFR Lender pursuant to Section 5.1(b)(y) of the ESFR Agreement; and (iv) within thirty (30) days after the end of each calendar month, a copy of the Company's monthly financial statement package for the immediately preceding month, including, without limitation, (A) a balance sheet as of the end of such preceding month, (B) related unaudited statements of income and cash flows for such preceding month, setting forth in comparative form with respect to such financial statements figures for the month immediately preceding such month and for the corresponding period in the prior year, (C) financial ratios, (D) a headcount analysis, (E) an executive summary report, (F) an originations report and (G) portfolio performance data, in each of clauses (A) through (G) in form acceptable to the Purchaser;

(c) Together with the financial statements delivered pursuant to SECTION 8.2(a), (i) a copy of the statement required to be delivered to each ESFR Lender pursuant to Section 5.1(c) of the ESFR Agreement, and (ii) a statement, signed by the Chief Financial Officer of the Company, to the effect that he has reviewed the provisions of this Agreement and

has no knowledge of any event or condition which constitutes a Default or Event of Default or, if he has such knowledge, specifying the nature and period of existence thereof;

(d) Promptly (but not later than three (3) Business Days) upon it becoming available, a copy of the Company's annual USAP Audit;

(e) Promptly (but not later than three (3) Business Days) upon their becoming available, copies of all filings by the Company or any of its Subsidiaries, or by any party in connection with any Securitization Transactions, with the SEC, or any periodic or special reports filed with any other Governmental Authority, and copies of any material notices and other material communications from the SEC or from any other Governmental Authority which specifically relate to the Company or any of its Subsidiaries;

(f) Promptly (but not later than three (3) Business Days) upon receipt thereof, copies of all audit reports and management letters, if any, submitted to the Company or any of its Subsidiaries by independent public accountants in connection with each interim or special audit of the books of the Company or any of its Subsidiaries made by such accountants and copies of all financial statements, reports, notices and proxy statements, if any, sent by the Company to its shareholders;

(g) Immediately, notice of: (i) the institution or commencement of any action, suit, proceeding or investigation by or against or affecting the Company, any of its Subsidiaries or any of its or their respective assets, including, without limitation, any action, suit, proceeding or investigation involving the SEC or Nasdaq; (ii) any litigation or proceeding instituted by or against the Company or any of its Subsidiaries, or any judgment, award, decree, order or determination relating to any litigation or proceeding involving the Company or any of its Subsidiaries; (iii) the imposition or creation of any Lien against any asset of the Company or any of its Subsidiaries; (iv) any reportable event under ERISA, together with a statement of the Chief Executive Officer, Chief Financial Officer and/or Controller of the Company as to the details thereof and a copy of its notice thereof to the PBGC; (v) any known release or threat of release of Hazardous Materials on or onto any Real Property or the incurrence of any expense or loss in connection therewith or upon the Company's obtaining knowledge of any investigation, action or the incurrence of any expense or loss by any Governmental Authority in connection with the containment or removal of any Hazardous Materials for which expense or loss the Company may be liable or potentially responsible (all such notices shall describe the nature of any lawsuit);

(h) Immediately upon receipt or issuance by the Company or any of its Subsidiaries, copies of all reports, covenant compliance certificates, budgets, projections, requests for waivers, notices of default, requests for amendments or other material correspondence issued in connection with or relating to any agreements, instruments or other documents evidencing or governing any Subordinated Indebtedness and, to the extent not inconsistent with any confidentiality provisions, any agreement to which any Credit Enhancer

(including, without limitation, FSA or any Affiliate of FSA) is a party and any other agreement to which the Company or any of its Subsidiaries is now or hereafter a party relating to Indebtedness;

(i) No later than the ninth business day of each calendar month, a certificate of the Chief Financial Officer and the Secretary of the Company, in substantially the form of EXHIBIT E (a "Compliance Certificate"), duly completed and setting forth the calculations required to establish compliance with the financial covenants set forth in ANNEX A; and

(j) Within ninety (90) days after the end of each fiscal year of the Company, an analysis that supports the appropriate balance sheet reserves established against the "on-balance sheet" Automobile Contracts, signed by the Chief Financial Officer of the Company.

In addition to the financial information described above, the Company will also furnish or cause to be furnished or made available to the Purchaser such other information regarding the business, affairs and condition of the Company and its Subsidiaries as the Purchaser may from time to time reasonably request.

The documents and other information which are required to be delivered to the ESFR Lenders under the ESFR Agreement and, under this SECTION 8.2, to the Purchaser shall be delivered to the Purchaser in accordance with the terms of this SECTION 8.2, notwithstanding that such documents or other information is no longer required to be delivered to the ESFR Lenders or the ESFR Agreement is amended in accordance with SECTION 9.11(a) or terminated after the date hereof.

8.3 FINANCIAL COVENANTS. The Company shall, on a consolidated basis with its Subsidiaries, maintain the financial covenants set forth in ANNEX A.

8.4 PERFORMANCE OF THE RELATED AGREEMENTS. The Company covenants to perform, comply with and observe all of its obligations under each of the Related Agreements to which it is a party.

8.5 CPS OPERATING PLAN. The Company shall, and shall cause its Subsidiaries to, implement the CPS Operating Plan in accordance with its terms and provisions and on the time table set forth therein. Without limiting the generality of the foregoing, the Company shall (a) sell, dissolve or otherwise dispose of its entire interest in CPS Leasing, Inc., Samco Acceptance Corp. and LINC Acceptance LLC within the time table set forth therein and (b) restrict future cash flows from the Company to its Subsidiaries, all in accordance with the terms of the CPS Operating Plan.

8.6 AGREEMENT WITH FSA.

(a) Within ten (10) Business Days following the Closing Date, the Company shall (i) enter into an agreement with FSA with respect to the first Securitization Transaction to be completed by the Company following the Closing Date, in form and substance reasonably satisfactory to the Purchaser, providing for, among other things, no more than a 3.0% initial cash deposit (increasing to no greater than a 21.0% cash deposit) in the "Spread Account" relating to such first Securitization Transaction; (ii) use its best efforts to enter into an agreement with FSA with respect to the second Securitization Transaction to be completed by the Company following the Closing Date, in form and substance reasonably satisfactory to the Purchaser, providing for, among other things, no more than a 3.0% initial cash deposit (increasing to no greater than a 21.0% cash deposit) in the "Spread Account" relating to such second Securitization Transaction; and (iii) enter into an agreement with FSA, in form and substance reasonably satisfactory to the Purchaser, providing for a "AAA"-rated securitization structure effective through March 31, 1999, allowing for at least $450,000,000 in cumulative Securitization Transactions.

(b) The Company shall complete its first Securitization Transaction following the Closing Date prior to or on November 30, 1998, pursuant to the agreement with FSA referred to in SECTION 8.6(a)(i), in an aggregate amount of not less than $300,000,000 of Automobile Contract originations.

8.7 REPAYMENT OF NAB LOANS. The Company shall cause the NAB Loans to be repaid in full on or prior to December 31, 1998.

8.8 KEY-MAN LIFE INSURANCE. On or prior to December 31, 1998, the Company shall procure a key-man life insurance policy, from a financially sound and reputable insurance company, on the life of Charles E. Bradley, Jr., the President and Chief Executive Officer of the Company, in an amount equal to $10,000,000, and shall cause the Purchaser to be named as the sole loss payee on such insurance policy. The Company shall be obligated to maintain such insurance policy so long as any Obligations to Purchaser remain outstanding.

8.9 LEGAL EXISTENCE; FRANCHISES; COMPLIANCE WITH LAWS. The Company shall, and shall cause its Subsidiaries to, (a) maintain its corporate existence and business; (b) maintain all properties which are reasonably necessary for the conduct of such business, now or hereafter owned, in good repair, working order and condition; (c) take all actions necessary to maintain and keep in full force and effect all of its Licenses and Permits; and (d) comply in all material respects with all Applicable Laws in respect of the conduct of its business and the ownership of its properties in the states in which it conducts its business; PROVIDED, HOWEVER, that nothing in this SECTION 8.9 shall be interpreted to restrict or in any manner affect the Company's or any of its Subsidiaries' ability to elect to discontinue any line of business or to discontinue doing business in any state if the Board of Directors of the Company or of such Subsidiary, as the case may be, deems such discontinuance to be in its or their best interests.

8.10 BOOKS, RECORDS AND INSPECTIONS. The Company shall, and shall cause each of its Subsidiaries to, keep proper books of record and account in which full, true and complete entries in conformity with GAAP and all requirements of Applicable Laws shall be made of all dealings and transactions in relation to its business and activities. The Company shall, and shall cause each of its Subsidiaries to, permit officers and designated representatives and/or agents of the Purchaser to visit and inspect any of the properties of the Company or such Subsidiaries, and to examine the books of account of the Company or such Subsidiaries and discuss the affairs, finances and accounts of the Company or such Subsidiaries with, and be advised as to the same by, its officers and independent accountants, all at such reasonable times and intervals and to such reasonable extent as the Purchaser may request.

8.11 MAINTENANCE OF PROPERTY; INSURANCE. The Company shall, and shall cause each of its Subsidiaries to, maintain with financially sound and reputable insurance companies insurance in at least such amounts, of such character and against at least such risks as is usually maintained by companies of established repute engaged in the same or a similar business in the same general area. Such insurance shall include, without limitation, fire and extended coverage, public liability, property damage, workers' compensation, flood insurance (if the Purchaser determines that such insurance is required by Applicable Laws), earthquake loss insurance (if required by the Purchaser in its discretion), business interruption insurance (either for loss of revenues or for additional expenses), and insurance insuring for errors and omissions. In addition, the Company shall procure within thirty (30) days after the Closing Date, and maintain thereafter, one or more insurance policies providing at least $10,000,000 in insurance coverage for director liability, including coverage for claims under federal and state securities laws.

8.12 TAXES. The Company shall, and shall cause each of its Subsidiaries to, pay and discharge when due all Taxes, except as contested in good faith and by appropriate proceedings if adequate reserves (in the good faith judgment of the management of the Company) have been established with respect thereto.

8.13 ERISA. The Company shall, and shall cause its Subsidiaries to, deliver to the Purchaser, promptly, but in no event more than two (2) Business Days after any executive officer of the Company or any Subsidiary obtains knowledge of the occurrence of any "reportable event", as such term is defined in Section 4043 of ERISA, or "prohibited transaction", as such term is defined in Section 4975 of the IRC in connection with any plan or trust sponsored by the Company or any Subsidiary, a written notice specifying the nature of such reportable event or prohibited transaction, what action has been taken, is being taken or is proposed to be taken with respect thereto and a copy of any notice delivered to the PBGC or any excise tax return filed with the Internal Revenue Service with respect thereto, and, when known, any further action taken or threatened by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto.

8.14 PERFORMANCE OF SERVICING DUTIES; CLEAN-UP CALLS. The Company shall, and shall cause ARC and CPSRC to, comply with the provisions of its charter documents and bylaws and with the terms of the pooling and servicing agreements, instrument and other documents relating to any Securitization Transactions, and perform the duties of servicer in compliance with the terms thereof. To the extent that the Company, ARC or CPSRC has or shall have the right or ability to make a "CLEAN-UP" call under any Securitization Transaction, the Company, ARC or CPSRC will not take any such action if it would not be permitted by the terms of Section 5.9 of the ESFR Agreement.

8.15 MAINTENANCE OF LLCP BLOCKED ACCOUNT. If the ESFR Agreement is terminated at any time following the date hereof, the Company covenants and agrees that it will (a) establish a blocked account arrangement (the "LLCP BLOCKED ACCOUNT") with the Purchaser, on terms and conditions satisfactory to the Purchaser and with a bank acceptable to the Purchaser, to, among other things, collect payments due to the Company of proceeds from any "Spread Accounts" relating to Securitization Transactions, and (b) execute and deliver, and cause all necessary Persons to execute and deliver, all such agreements, instruments or other documents as may be necessary (or deemed necessary by the Purchaser) to ensure that such trustee or paying agent is directed to make payments due to the Company from such "Spread Accounts" directly into the LLCP Blocked Account. The Company agrees that it will cooperate with the Purchaser to establish payment procedures that are substantially similar to the procedures established under or in connection with the ESFR Agreement.

8.16 COMMUNICATION WITH ACCOUNTANTS. The Company authorizes the Purchaser to communicate directly with the Company's independent certified public accountants, and authorizes such accountants to disclose to the Purchaser any and all financial statements and other supporting financial documents and schedules as the Purchaser may request.

8.17 COMPLIANCE WITH LEASEHOLDS. The Company shall, and shall cause each of its Subsidiaries to, make all payments and otherwise perform all of its obligations under all leases of real property to which the Company or any such Subsidiary is a party, keep such leases in full force and effect and not permit such leases to expire, lapse or be terminated (or any rights to renew such leases to be forfeited or canceled), notify the Purchaser of any default by any party thereto and cooperate with the Purchaser in all respects to cure any such default.

8.18 COMPLIANCE WITH MATERIAL CONTRACTS. The Company shall, and shall cause each of its Subsidiaries to, perform, comply with and observe all terms and provisions of each Material Contract (including, without limitation, any Subordinated Debt Agreements) to be performed, complied with or observed by it, maintain each Material Contract in full force and effect, enforce each Material Contract in accordance with its terms and take all actions to such end as the Purchaser may request from time to time. Upon the request of the Purchaser, the Company shall, and shall cause each of its Subsidiaries to, make such demands or requests for information and reports or action of each other party to each Material Contract as the Company shall be entitled to make under such Material Contract. Without limiting the generality of the

foregoing, the Company shall, and shall cause each of its Subsidiaries to, take and cause to be taken all actions necessary to enforce its rights under any employment agreements, non-competition, non-solicitation and/or confidentiality agreements to which the Company or any such Subsidiary is a party and file any action or lawsuit to enforce the same within thirty (30) days of its becoming aware that any violation of any of the same has occurred.

8.19 FURTHER ASSURANCES. From time to time after the date hereof, the Company will execute and deliver, and will cause any of its Subsidiaries and any other Persons to execute and deliver, such additional instruments, certificates and documents, and will take all such actions, as the Purchaser may reasonably request, for the purposes of implementing or effectuating the provisions of this Agreement, the Note or any other Related Agreement. Upon exercise by the Purchaser of any power, right, privilege or remedy pursuant to this Agreement or any Related Agreement which requires any Consent, the Company will execute and deliver, and will cause any of its Subsidiaries and any other Persons to execute and deliver, all applications, certifications, instruments and other documents and papers that may be required to be obtained for such Consent.

8.20 FUTURE INFORMATION. All data, certificates, reports, statements, documents and other information furnished by or on behalf of the Company, any of its Subsidiaries or any of its or their respective representatives or agents to the Purchaser in connection with this Agreement, the Related Agreements or the transactions contemplated hereby and thereby, at the time the information is so furnished, shall not contain any untrue statement of a material fact, shall be complete and correct in all material respects to the extent necessary to give the Purchaser sufficient and accurate knowledge of the subject matter thereof, and shall not omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such information is furnished.

8.21 NEW SENIOR CREDIT FACILITY.

(a) The Company shall, on or prior to December 31, 1999, enter into the New Senior Credit Facility, pay all Indebtedness then outstanding under the ESFR Agreement and cause the termination of the ESFR Agreement and the release and reconveyance of all Liens created or existing in favor of the ESFR Agent and/or the ESFR Lenders under the ESFR Agreement; PROVIDED, HOWEVER, that the Company shall use its reasonable best efforts to perform and complete all such matters, and cause the New Senior Facility Establishment Date to occur, as soon as practicable.

(b) At least twenty (20) days prior to the proposed New Senior Facility Establishment Date, the Company shall notify the Purchaser in writing that it intends to enter into the New Senior Credit Facility, stating the material terms thereof and the closing date, and will furnish to the Purchaser at such time copies of the agreements, instruments and other documents that will evidence or govern the New Senior Credit Facility. In addition, if the Company shall not have established an escrow account pursuant to SECTION 5(a) of the Note

prior to the date of such written notice, the Company shall, at least fifteen (15) days prior to the proposed New Senior Facility Establishment Date, establish a separate interest-bearing escrow account with a bank or other financial institution, as escrow agent, on terms and conditions satisfactory to the Purchaser, and deposit therein an aggregate amount (the "Escrow Deposit") equal to (i) $2,419,985.51 (the "Base Payment"), PLUS (ii) all accrued and unpaid interest on this Note through and including the proposed New Senior Facility Establishment Date, PLUS (iii) the premium of $419,790.00 referred to in SECTION 5(a) of the Note. The terms and conditions of such escrow shall include, without limitation, that: (A) the Escrow Deposit shall remain in the escrow account until the next annual meeting of shareholders of the Company (the "Shareholder Meeting") held for the purposes of, among other things, approving the issuance by the Company of the Excess Warrant Shares, (B) if, at the Shareholder Meeting, the shareholders approve the issuance of the Excess Warrant Shares, the Escrow Deposit shall be released to the Company, and (C) if, at the Shareholder Meeting, the shareholders fail to approve the issuance of the Excess Warrant Shares, the Escrow Deposit shall be released to the Purchaser. In addition, if, at the Shareholder Meeting, the shareholders fail to approve the issuance of the Excess Warrant Shares, the Purchaser's principal term commitment under the New Senior Credit Facility will be the lesser of (x) $25,000,000 and (y) the principal balance of the Note outstanding immediately prior to the New Senior Facility Establishment Date, in each case LESS the Escrow Deposit.

(c) From and after June 1, 1999 and until the occurrence of the New Senior Facility Establishment Date, the Company agrees to pay to the Purchaser in cash, with respect to each calendar month (or portion thereof) set forth below, an extension payment (the "Extension Payment") in the amount set forth opposite such calendar month:

Calendar Month Ending:	Extension Payment
June 30, 1999	$10,000
July 31, 1999	20,000
August 31, 1999	30,000
September 30, 1999	40,000
October 31, 1999	50,000
November 30, 1999	60,000
December 31, 1999	70,000

Each Extension Payment shall be due and payable on the Interest Payment Date (as defined in the Note) relating to the applicable calendar month (or portion thereof). The Extension Payment due with respect to the calendar month during which the New Senior Facility Establishment Date shall occur shall be prorated (based upon the number of days prior to the New Senior Facility Establishment Date).

(d) The Company shall not, and shall not permit any of its Subsidiaries to, take any action which would restrict or otherwise prohibit the occurrence of the New Senior Facility Establishment Date or the establishment of the New Senior Credit Facility.

8.22 YEAR 2000 COMPATIBILITY. No later than March 31, 1999, the Company and its Subsidiaries shall have taken all such actions that are necessary to ensure that the computer-based systems used by the Company and its Subsidiaries in the conduct of their respective businesses operate with respect to, and effectively process, data (which includes dates) after December 31, 1999, and the Company shall, at the request of the Purchaser, demonstrate to the Purchaser's reasonable satisfaction the Company's compliance with this SECTION 8.22.

8.23 NASDAQ LISTING. The Company shall do or cause to be done all things necessary to maintain the listing of its Common Stock on the Nasdaq National Market System ("Nasdaq") (or, if the Company so elects, maintain a listing of its Common Stock on the New York Stock Exchange).

8.24 STANWICH COMMITMENT.

(a) Stanwich hereby commits to make an investment in the Company, or will cause an independent third party (I.E., a Person that is not an Affiliate of, or related to, the Company, Stanwich or any of its shareholders) to make an investment in the Company, within 120 days following the Closing Date, of not less than $15,000,000 (whether in the form of debt or equity); PROVIDED, HOWEVER, that the aggregate net cash proceeds from such investment shall be no less than $14,400,000 (the provisions of this SECTION 8.24, together with any agreements, instruments or other documents containing such terms and conditions, being referred to herein as the "Stanwich Commitment"). The terms and conditions of the Stanwich Commitment shall be approved by a majority of the disinterested members of the Board of Directors of the Company, subject to the terms of this SECTION 8.24; PROVIDED, HOWEVER, that if any such third party makes such investment in the form of Senior Indebtedness or Senior Subordinated Indebtedness (which includes Indebtedness evidenced by the Note), the terms and conditions of the Stanwich Commitment shall also be approved by the Purchaser (such approval not to be unreasonably withheld). If Stanwich (or any of its Affiliates) makes such investment in the form of Indebtedness, such Indebtedness shall be expressly made subordinate to the same extent as Stanwich Indebtedness other than Stanwich Indebtedness evidenced by the Pledged Notes. Notwithstanding anything to the contrary, the Stanwich Commitment shall be subject to the limitations set forth in SECTION 9.1.

(b) If any Pledged Notes are released from the applicable pledge, Stanwich shall, within five (5) Business Days thereafter, execute and deliver such agreements, instruments and other documents, and take such actions, at the request of the Purchaser, to cause the Indebtedness outstanding under such released Pledged Notes to be expressly made subordinate to the same extent as Stanwich Indebtedness other than Stanwich Indebtedness evidenced by the Pledged Notes.

(c) It is expressly acknowledged by the Company and Stanwich that the Purchaser is a third party beneficiary of the agreements and commitments of Stanwich provided for in this SECTION 8.24.

9. NEGATIVE COVENANTS. In addition, the Company covenants and agrees that, so long as any Obligations to Purchaser remain outstanding or, with respect to SECTION 9.7 through SECTION 9.12, the Purchaser owns or has the right to acquire, directly or indirectly, five percent (5%) or more of the issued and outstanding Common Stock, the Company shall perform, comply with and observe the covenants set forth in this SECTION 9.

9.1 LIMITATIONS ON INDEBTEDNESS. The Company shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or become or remain liable in respect of any Indebtedness, except:

(a) Obligations to Purchaser;

(b) Existing Indebtedness, including any refinancings, renewals, replacements, restructurings or exchanges thereof, but subject to SECTION 9.11(a);

(c) Unsecured Subordinated Indebtedness that is expressly made subordinate in right of payment and rights upon liquidation to all Senior Indebtedness and Senior Subordinated Indebtedness (including, without limitation, the Indebtedness evidenced by the Note), in an aggregate amount not to exceed the Consolidated Net Worth (as defined in the RISRS Indenture) of the Company at any time outstanding; PROVIDED, HOWEVER, that such unsecured Subordinated Indebtedness is created or incurred on then-current "market" terms and conditions applicable to similarly issued subordinated indebtedness;

(d) Indebtedness in the form of Capital Lease Obligations used to finance the acquisition, construction or improvement of assets of the Company or any of its Subsidiaries in an aggregate amount not to exceed $5,000,000; and

(e) Indebtedness under the New Senior Credit Facility.

9.2 LIMITATIONS ON LIENS. The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist, any mortgage, lien, charge or encumbrance on, or security interest in, or pledge of, or conditional sale or other title retention agreement with respect to, any real or personal property (tangible or intangible, now existing or hereafter acquired), except:

(a) Existing Liens;

(b) Permitted Liens;

(c) Financing statements filed by any Credit Enhancer (including, without limitation, FSA) against the Company or any Subsidiary in connection with any Securitization Transactions;

(d) Any attachment or judgment Lien not constituting an Event of Default; and

(e) Any Lien constituting a renewal, extension or replacement of any Existing Lien, PROVIDED that the principal amount of any Indebtedness or other obligation secured by such renewal, extension or replacement Lien does not exceed the principal amount of the Indebtedness or other obligation renewed, extended or replaced.

9.3 LIMITATIONS ON INVESTMENTS. The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, make or own any Investment, EXCEPT:

(a) Permitted Investments;

(b) The Investments and Guarantees set forth on SCHEDULE 3.12;

(c) The Investments described in the CPS Operating Plan;

(d) Automobile Contracts;

(e) Loans and advances to employees of the Company in an amount not to exceed $1,250,000 in the aggregate at any time outstanding; PROVIDED, HOWEVER, that (i) such amount shall not exceed $1,000,000 in the aggregate at any time outstanding during the period commencing on the sixth month anniversary of the Closing Date and ending on the first year anniversary of the Closing Date; and (ii) such amount shall not exceed $750,000 in the aggregate at any time outstanding after the first year anniversary of the Closing Date; and

(f) Indemnification agreements in favor of Credit Enhancers or underwriters executed in connection with Securitization Transactions.

9.4 LIMITATION ON RESTRICTED PAYMENTS. The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payment.

9.5 SUBSIDIARIES; CHANGES IN BUSINESS. The Company shall not, and shall not permit any of its Subsidiaries to, create any additional Subsidiaries (PROVIDED, HOWEVER, that the Company may from time to time create wholly owned, "bankruptcy remote special purpose" Subsidiaries for the sole purpose of entering into Securitization Transactions). After giving effect to the terms of the CPS Operating Plan, the Company shall not, and shall not permit its Subsidiaries to, engage in any business other than the purchasing, selling and servicing of Automobile Contracts.

9.6 OBSERVANCE OF STANWICH SUBORDINATION PROVISIONS. The Company shall not make, or cause or permit to be made, any payments in respect of any Stanwich Indebtedness in contravention of any of the subordination provisions applicable to such Stanwich Indebtedness.

9.7 ENVIRONMENTAL LIABILITIES. The Company shall not, and shall not permit any of its Subsidiaries to, violate any material Environmental Laws or other requirement of law, rule or regulation regarding Hazardous Materials. Without limiting the generality of the foregoing, the Company shall not, and shall not permit any of its Subsidiaries to, dispose of any Hazardous Materials into or onto, or from, any Real Property, nor allow any Lien imposed pursuant to any Environmental Laws to be imposed or to remain on such Real Property, except for Liens being contested in good faith by appropriate proceedings and for which adequate reserves have been established and are being maintained on the books of the Company or its Subsidiaries, as the case may be.

9.8 AMENDMENTS TO SECURITIZATION TRANSACTION DOCUMENTS. The Company shall not, and shall not permit any of its Subsidiaries to, amend, modify or change (or consent to any such amendment, modification or change), in any manner adverse to the interests of the Purchaser, any of the provisions set forth in the Securitization Transaction Documents without the prior written consent of the Purchaser. Without limiting the generality of the foregoing, the Company shall not, and shall not permit any of its Subsidiaries to, consent or agree, without the prior written consent of the Purchaser, to any increase in the amount on deposit in any "Spread Accounts" so as to maintain the rating of the related Securitization Transaction.

9.9 TRANSACTIONS WITH AFFILIATES. The Company shall not, and shall not permit any of its Subsidiaries to, enter into any transaction with any officer, director, employee or Affiliate of the Company at any time on terms that are less favorable to the Company or such Subsidiary, as the case may be, than those that might be obtained in an arm's length transaction at such time from a Person who is not an officer, director, employee or Affiliate of the Company. Any transaction between the Company, on the one hand, and any Affiliate of the Company, on the other hand, shall be unanimously approved in advance by all of the members of the Board of Directors of the Company who are not interested in the transaction; PROVIDED, HOWEVER, that no such Board approval shall be required with respect to sales of Automobile Contracts made by the Company to its Subsidiaries, or by its Subsidiaries to the Company, in the ordinary course of its business so long as such sales are made on terms that are no less favorable to the Company than those that might be obtained in an arm's length transaction with a Person who is not an Affiliate of the Company. This SECTION 9.9 shall not apply to (a) any transactions (or series of related transactions) between the Company and any officer, director, employee or Affiliate thereof which involve less than $10,000 (and less than $25,000 to any one Person) or an aggregate of $100,000 in any rolling twelve (12) month period, (b) any transactions between the Company and CARS USA, Inc. so long as such transactions are on terms that are no less favorable to the Company than those that might be obtained in an arm's length transaction from a Person who is not an Affiliate or otherwise related to the Company, (c) no more than two (2) independent transactions in any rolling twelve (12) month period between the Company and any

officer, director, employee or Affiliate thereof, each of which involves $10,000 or more, but less than $100,000, if each such transaction is approved by a majority of the members of the Board of Directors of the Company who are not interested in the transaction, (d) any transaction (or series of related transactions) between the Company and any officer, director, employee or Affiliate thereof that involves $100,000 or more, if such transaction is unanimously approved by the members of the Board of Directors of the Company who are not interested in the transaction, (e) payments by the Company to Stanwich in accordance with the terms of the Stanwich Consulting Agreement, and any renewal or extension thereof which is approved by the Board of Directors of the Company, PROVIDED that the term of any such renewal or extension expires no later than December 31, 1999 and payments to be made by the Company under any such renewal or extension do not exceed the payments required to be made under the Stanwich Consulting Agreement as of the date hereof, or (f) compensation payable by the Company to Charles E. Bradley, Sr., the Chairman of the Company, and Poole, the Vice Chairman of the Company, at the annual rate of $125,000 and $75,000, respectively.

9.10 RESTRICTION ON FUNDAMENTAL CHANGES. Without the Purchaser's prior written consent, the Company shall not, and shall not permit any of its Subsidiaries to, (a) make any change in its business objectives, purposes, structure or operations that could in any way adversely affect the repayment of the Obligations to Purchaser or have a Material Adverse Effect; (b) amend its charter or bylaws, as applicable; (c) sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or a significant portion of its assets, other than dispositions of assets in the ordinary course of business consistent with past practice; (d) enter into any merger, acquisition, consolidation, reorganization or recapitalization; or (e) liquidate, wind up or dissolve.

9.11 AGREEMENTS AFFECTING CAPITAL STOCK AND INDEBTEDNESS; AMENDMENTS TO MATERIAL CONTRACTS.

(a) The Company shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of the Purchaser, (i) enter into any voting agreement, voting trust, irrevocable proxy or other agreement affecting the voting rights of shares of the Capital Stock of the Company (other than revocable proxies in connection with meetings of shareholders of the Company) or its Subsidiaries, except as contemplated by this Agreement or any Related Agreement; (ii) refinance, renew, replace, restructure or exchange any Existing Indebtedness (other than the replacement of the ESFR Agreement with the New Senior Credit Facility and the replacement or renewal of the two existing warehouse lines of credit); or (iii) amend, supplement or otherwise modify, or waive, any term or provision of any agreement, instrument or other document evidencing or governing any Indebtedness of the Company or any of its Subsidiaries (including, without limitation, the ESFR Agreement, the Indebtedness under the Bank of America Facility, any other Senior Indebtedness, the RISRS Indenture, the PENS Indenture, any Stanwich Debt Agreements or any other Subordinated Agreements).

(b) The Company shall not, and shall not permit any of its Subsidiaries to, cancel or terminate any Material Contract (or consent to or accept any cancellation or termination thereof), amend or otherwise modify any Material Contract or give any consent, waiver or approval thereunder, waive any breach of or default under any Material Contract, or take any action in connection with any Material Contract that would impair the value of the interests or rights of the Company thereunder or that would impair the interest or rights of the Purchaser hereunder or under this Agreement or any Related Agreement.

9.12 INDEBTEDNESS TO FSA. The Company shall not, and shall not permit any of its Subsidiaries to, have outstanding at any time Indebtedness for the payment of money of any kind or nature (whether matured or unmatured or contingent or non-contingent) to FSA or any Affiliate of FSA pursuant to any agreement to which FSA is a party, other than Indebtedness (whether matured or unmatured or contingent or non-contingent) in connection with Securitization Transactions of the type which is consistent with past practice and which the Company reasonably believes is customary in securitization transactions insured by FSA, the assets of which consist solely of Automobile Contracts.

9.13 PAYMENT RESTRICTIONS AFFECTING CERTAIN SUBSIDIARIES. The Company shall not, and shall not permit any of its Subsidiaries (other than "bankruptcy remote special purpose" Subsidiaries formed in connection with any Securitization Transactions) to, enter into or permit to exist any agreement, instrument or other document which, directly or indirectly, prohibits or restricts in any manner, or would have the effect of prohibiting or restricting in any manner, the ability of any such Subsidiary to (a) pay dividends or make other distributions in respect of its Capital Stock owned by the Company or any other such Subsidiary, (b) pay or repay any Indebtedness owed to the Company or any other such Subsidiary, (c) make loans or advances to the Company or (d) transfer any of its properties or assets to the Company or any other such Subsidiary.

9.14 NO INSURANCE AGREEMENT EVENT OF DEFAULT. The Company shall not permit to exist, and shall cause its Subsidiaries not to permit to exist, any Insurance Agreement Event of Default (or other event or condition which has a substantially similar meaning to such term) which is not waived by FSA or any other Credit Enhancer within the period ending on the earlier to occur of (a) the "Distribution Date" (as such term is defined in the Securitization Transaction Documents) and (b) the fifteenth day following the end of the calendar month during which such Insurance Agreement Event of Default shall occur.

10. INDEMNIFICATION.

10.1 TRANSFER TAXES. The Company shall pay all stamp, transfer and other similar Taxes (together in each case with interest and penalties, if any) payable or determined to be payable in connection with the execution and delivery of this Agreement or the issuance and sale of the Note and the Primary Warrant and shall hold harmless the Purchaser from and

against any and all liabilities with respect to or resulting from any delay in paying, or omission to pay, such Taxes.

10.2 LOSSES. Whether or not the transactions contemplated by this Agreement are consummated, the Company shall indemnify and hold harmless the Purchaser and its Affiliates, employees, partners, officers, directors, representatives, agents, attorneys, successors and assigns (the "Indemnified Parties") from and against any and all losses, claims, damages, liabilities, expenses and costs, including, without limitation, attorneys' fees and other fees and expenses incurred in, and the costs of preparing for, investigating or defending any matter (collectively, "Losses"), incurred by such Indemnified Party in connection with or arising from any breach of any warranty or the inaccuracy of any representation made by the Company or the failure of the Company to fulfill any of its agreements or undertakings under this Agreement or any Related Agreement (or any other document or instrument executed herewith or pursuant hereto). The Company shall either pay directly all Losses which it is required to pay hereunder or reimburse any Indemnified Party within ten (10) days after any request for such payment. The obligations of the Company to the Indemnified Parties under this SECTION 10 shall be separate obligations to each Indemnified Party, and the liability of the Company to such Indemnified Parties hereunder shall not be extinguished solely because any Indemnified Party is not entitled to indemnity hereunder. The obligations of the Company to the Indemnified Parties under this SECTION 10 shall survive (a) the payment of the Note (whether at maturity, by prepayment or acceleration or otherwise), (b) any transfer of the Note or any interest therein, (c) the termination of this Agreement or any Related Agreement and (d) the exercise and/or sale of the Primary Warrant (or any portion thereof) or the sale of the Primary Warrant Shares.

10.3 INDEMNIFICATION PROCEDURES. Any Person entitled to indemnification under this SECTION 10 shall (a) give prompt written notice to the Company of any claim with respect to which it seeks indemnification and (b) permit the Company to assume the defense of such claim with counsel selected by the Company and reasonably acceptable to such Person; PROVIDED, HOWEVER, that any Person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (i) the Company has agreed to pay such fees or expenses; (ii) the Company has failed to notify such Person in writing within ten (10) days of its receipt of such written notice of claim that it will assume the defense of such claim and employ counsel reasonably satisfactory to such Person; or (iii) in the judgment of any such Person, based upon the written advice of counsel, a conflict of interest may exist between such Person and the Company with respect to such claims (in which case, if the Person notifies the Company in writing that such Person elects to employ separate counsel at the expense of the Company, the Company shall not have the right to assume the defense of such claim on behalf of such Person). The Company will not be subject to any liability for any settlement made without its consent (but such consent may not be unreasonably withheld). No Indemnified Party may, without the consent (which consent will not be unreasonably withheld) of the Company, consent to entry of any judgment or enter into any settlement which does not include as an

unconditional term thereof the giving by the claimant or plaintiff to the Company of a release from all liability in respect of such claim or litigation.

10.4 CONTRIBUTION. If the indemnification provided for in this SECTION 10 is unavailable to the Purchaser or any other Indemnified Party in respect of any Losses, then the Company, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by the Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and such Indemnified Party on the other hand, in connection with the actions, statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and such Indemnified Party on the other hand, shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken by, or relates to information supplied by, either the Company or such Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The parties agree that it would not be just and equitable if contribution pursuant to this SECTION 10.4 were determined by PRO RATA allocation or by any other method of allocation which does not take account of the equitable considerations referred to above. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

11. DEFAULTS AND REMEDIES.

11.1 EVENTS OF DEFAULT. An "Event of Default" occurs if:

(a) The Company shall (i) fail to pay as and when due (whether at stated maturity, upon acceleration or required prepayment or otherwise) any principal on the Note, or (ii) fail to pay any interest, premium, if any, fees, costs, expenses or other amounts payable under this Agreement, the Note or any other Related Agreement within one (1) Business Day after the date due thereunder; or

(b) The Company shall breach or fail to perform, comply with or observe any agreement, covenant or obligation required to be performed by it under this Agreement or any Related Agreement (other than as provided in SECTION 11.1(a)) and, if such breach or failure may be cured, such breach or failure shall not have been remedied within ten (10) Business Days after any officer of the Company or any of its Subsidiaries becomes aware or should have become aware of such failure or breach; or

(c) Any representation or warranty made by the Company under, relating to or in connection with this Agreement or any Related Agreement shall be false or misleading when made; or

(d) The Company or any of its Subsidiaries (i) shall default in the payment (whether at stated maturity, upon acceleration or required prepayment or otherwise), beyond any period of grace provided therefor, of any principal of or interest on any other Indebtedness with a principal amount in excess of $100,000, or (ii) shall commit any breach of or default under any term of any agreement, indenture or instrument evidencing or governing any other Indebtedness, if the effect of such breach or default is to cause, or to permit the holder or holders of such other Indebtedness to cause (upon the giving of notice or the passage of time or both), such other Indebtedness to become or be declared due and payable, or required to be prepaid, redeemed, purchased or defeased (or an offer of prepayment, redemption, purchase or defeasance is made) prior to its stated maturity, unless such breach or default has been waived within ten (10) days following such breach or default by the Person or Persons entitled to give such waiver; or

(e) Any material provision of any Related Agreement shall, for any reason, cease to be valid or enforceable in accordance with its terms, or shall be repudiated, revoked, renounced or terminated, including by operation of law; or

(f) There shall be commenced against the Company or any of its Subsidiaries an involuntary case seeking the liquidation or reorganization of such Person under the Bankruptcy Code or any similar proceeding under any other Applicable Law or an involuntary case or proceeding seeking the appointment of a Custodian or to take possession of all or a substantial portion of its property or to operate all or a substantial portion of its business, and any of the following events occur: (i) any such Person consents to the institution of the involuntary case or proceeding; (ii) the petition commencing the involuntary case or proceeding is not timely controverted; (iii) the petition commencing the involuntary case or proceeding remains undismissed and unstayed for a period of sixty (60) days; or (iv) an order for relief shall have been issued or entered therein; or

(g) The Company or any of its Subsidiaries shall institute a voluntary case seeking liquidation or reorganization under the Bankruptcy Code or any similar proceeding under any other Applicable Law, or shall consent thereto; or shall consent to the conversion of an involuntary case to a voluntary case; or shall file a petition, answer a complaint or otherwise institute any proceeding seeking, or shall consent or acquiesce to the appointment of, a Custodian or to take possession of all or a substantial portion of its property or to operate all or a substantial portion of its business; or shall make a general assignment for the benefit of creditors; or shall generally not pay its debts as they become due; or the Board of Directors of

any such Person (or any committee thereof) adopts any resolution or otherwise authorizes action to approve any of the foregoing; or

(h) The Company or any of its Subsidiaries shall suffer any money judgments, writs, warrants of attachment or other orders that involve an amount or value in excess of $100,000, and such judgments, writs, warrants or other orders shall continue unsatisfied and unstayed for a period of thirty (30) days; or

(i) There shall occur a Material Adverse Change; or

(j) There shall occur a Change in Control; or

(k) There shall occur any "Special Redemption Event" (as defined in the RISRS Indenture); or

(l) The "LLCP Representative" (as such term is defined in the Investor Rights Agreement) shall be removed from the Board of Directors of the Company or, at any future election of directors, the LLCP Representative shall not be elected to such Board, and in each such case the Company shall not have caused any other LLCP Representative designated by LLCP to be elected or appointed as a member of such Board within five (5) days after LLCP shall have designated such other LLCP Representative (PROVIDED, HOWEVER, that the voluntary resignation of an LLCP Representative shall not be deemed to constitute an Event of Default under this clause (l)).

The foregoing Events of Default shall be deemed to have occurred, respectively, and any adjustments in the interest rate under the Note or other remedies available to the Purchaser hereunder or thereunder shall begin to apply, at the following times: (i) in the case of the clause (a) above, as of 12:00 p.m. (noon) (Los Angeles time) on the day on which such payment is due but has not been paid; (ii) in the case of clause (b) above, as of the close of business on such tenth Business Day, if such breach or failure shall not have been cured, or as of the close of business on the day on which such breach or violation occurs, if such breach or failure cannot be cured; (iii) in the case of clause (c) above, as of the close of business on the day on which the Company first became aware, or should have become aware, that such representation or warranty was false or misleading when made; (iv) in the case of clause (d)(i) above, as of the close of business on the day on which such payment of principal or interest is due, or in the case of clause (d)(ii), as of the close of business on the tenth day following such breach or default if such breach or default has not been waived by the Person or Persons entitled to give such waiver; (v) in the case of clause (e) above, as of the close of business on the day such provision ceases to be enforceable or is repudiated, revoked, renounced or terminated; (vi) in the case of clause (h) above, as of the close of business on the last day of such thirty (30) day period if such judgment, writ, warrant or other order remains unsatisfied or unstayed; (vii) in

the case of clauses (f) and (g) above, immediately prior to the occurrence of any of the events enumerated therein; (viii) in the case of clause (i) above, immediately upon the occurrence of the Material Adverse Change occurs; (ix) in the case of clauses (j) or (k) above, immediately upon the occurrence of the Change in Control or the "Special Redemption Event," as the case may be; and (x) in the case of clause (l) above, as of the close of business on the last day of such five (5) day period if the Board of Directors shall not have elected or appointed such other LLCP Representative to such Board.

11.2 ACCELERATION. If any Event of Default (other than an Event of Default specified in clause (f) or (g) of SECTION 11.1) occurs and is continuing, the Purchaser may, by written notice to the Company, declare all outstanding principal of, and accrued and unpaid interest on, the Note to be due and payable. Upon any such declaration of acceleration, such principal and interest shall become immediately due and payable. If an Event of Default specified in clause (f) or (g) of SECTION 11.1 occurs, all outstanding principal of, and accrued and unpaid interest on, the Note shall become immediately due and payable without any declaration or other act on the part of the Purchaser. The Company hereby waives all presentment for payment, demand, protest, notice of protest and notice of dishonor, and all other notices of any kind to which it may be entitled under Applicable Law or otherwise.

11.3 OTHER REMEDIES. If any Default or Event of Default shall occur and be continuing, the Purchaser may proceed to protect and enforce its rights and remedies under this Agreement and any Related Agreement by exercising all rights and remedies available under this Agreement, any Related Agreement or Applicable Laws (including, without limitation, the Code), either by suit in equity or by action at law, or both, whether for the collection of principal of or interest on the Note, to enforce the specific performance of any covenant or other term contained in this Agreement or any Related Agreement. No remedy conferred in this Agreement upon the Purchaser is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or now or hereafter existing at law or in equity or by statute or otherwise.

11.4 WAIVER OF PAST DEFAULTS. The Purchaser may, by written notice to the Company, waive any Default or Event of Default and its consequences with respect to this Agreement, the Note or any other Related Agreement; PROVIDED, HOWEVER, that no such waiver will extend to any subsequent or other Default or Event of Default or impair any rights of the Purchaser which may arise as a result of such Default or Event of Default.

12. MISCELLANEOUS.

12.1 NOTATIONS. Before disposing of the Notes or any portion thereof, the Purchaser shall make a notation thereon (or on a schedule attached thereto) of the amount of all principal payments previously made by the Company with respect thereto.

12.2 CONSENT TO AMENDMENTS. No amendment, supplement or other modification to this Agreement or any Related Agreement shall be effective unless the same shall be in writing and signed by the Purchaser, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if, and only if, the Company shall have obtained the prior written consent of the Purchaser to such action or omission. No course of dealing between the Company or its Subsidiaries, on the one hand, and the Purchaser (or any other Holder), on the other hand, nor any delay in exercising any rights hereunder or under the Note or any other Related Agreement shall operate as a waiver of any rights of the Purchaser (or any other Holder).

12.3 REGISTRATION OF NOTES; ASSIGNMENTS. The Company shall maintain at its principal executive office a register in which it shall register the Note (or Notes) and any Assignments thereof. Upon surrender at the Company's principal executive office of the Note for registration of any Assignment, the Company shall, at its expense and within three (3) Business Days of such surrender, execute and deliver one or more new notes of like tenor in the requested principal denominations and register such new note or notes in the register to be maintained by the Company. At the option of the Purchaser, the Note may be exchanged for one or more new notes of like tenor in the requested principal denominations.

12.4 PERSONS DEEMED OWNERS; PARTICIPATIONS. Prior to due presentment for registration of any Assignment, the Company may treat the Person in whose name any Note is registered as the owner and Holder of such Note for all purposes whatsoever, and the Company shall not be affected by notice to the contrary. Subject to the preceding sentence, the Purchaser may from time to time grant participations in all or any part of the Note to any Person on such terms and conditions as may be determined by the Purchaser in its sole and absolute discretion. Notwithstanding anything to the contrary contained herein or otherwise, nothing in this Agreement or in any Related Agreement or otherwise shall confer upon the participant any rights in this Agreement or any other Related Agreement, and the Purchaser shall retain all rights with respect to the administration, waiver, amendment and enforcement of, compliance with and consent to the terms and provisions of this Agreement and the Related Documents, and the Purchaser may, without the consent of the participant, give or withhold its consent or agreement to any amendments to or modifications of this Agreement or any Related Agreement or any waiver of any of the provisions hereof or thereof or any consents in respect hereof or thereof, or exercise or refrain from exercising any other rights or remedies which the Purchaser may have under this Agreement, any Related Agreement or otherwise, except that the Purchaser will not give its agreement, without the prior written consent of the participant (which consent shall be given or affirmatively withheld not later than three (3) Business Days after the Purchaser's request therefor), (a) to reduce the principal of or rate of interest on the Note or (b) to postpone the date fixed for payment of principal of or interest on the Indebtedness evidenced by the Note. If the participant does not timely reply to the Purchaser's request for such consent, the participant shall be deemed to have consented to such agreement and the Purchaser may take such action in such manner as the Purchaser determines in the exercise of its independent business judgment.

12.5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations, warranties, covenants and agreements contained herein, or made in writing by or on behalf of the Company pursuant to or in connection herewith, shall survive the execution and delivery of this Agreement, the issuance, sale and delivery of the Securities, the repayment of the Note and the exercise of the Primary Warrant, and any due diligence or other investigation made by or on behalf of the Purchaser.

12.6 ENTIRE AGREEMENT. This Agreement, together with the Exhibits, Schedules and ANNEX A, the Note and the other Related Agreements constitute the full and entire agreement and understanding between the Purchaser and the Company relating to the subject matter hereof and thereof, and supersede all prior oral and written, and all contemporaneous oral, agreements and understandings relating to the subject matter hereof, including, without limitation, the letter agreements dated September 29, 1998 and October 29, 1998, by and between the Company and the Purchaser.

12.7 SEVERABILITY. Any provision of this Agreement 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 provisions in any other jurisdiction.

12.8 SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of, and be binding upon, the parties and their respective successors and permitted assigns. The Purchaser may assign to any Person this Agreement and any or all of its rights hereunder without the consent of the Company, and the assignee thereof shall be entitled to all of the rights so assigned to the same extent as if such assignee were an original party hereof.

12.9 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if transmitted by telecopier with receipt acknowledged, or upon delivery, if delivered personally or by recognized commercial courier with receipt acknowledged, or upon the expiration of 72 hours after mailing, if mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

(i) If to the Purchaser, at:

c/o Levine Leichtman Capital Partners, Inc.
335 North Maple Drive, Suite 240
Beverly Hills, CA 90210
Attention: Arthur E. Levine, President
Telephone: (310) 275-5335
Facsimile: (310) 275-1441

WITH A COPY TO:

Riordan & McKinzie
695 Town Center Drive
Suite 1500
Costa Mesa, CA 92626
Attention: James W. Loss, Esq.
Telecopy: (714) 433-2900

(ii) If to the Company, at:

Consumer Portfolio Services, Inc.
16355 Laguna Canyon Road
Irvine, CA 92618
Attention: Charles E. Bradley, Jr., President
Telephone: (949) 753-6800
Facsimile: (949) 450-3951

WITH A COPY TO:

Troy & Gould
1801 Century Park East, Suite 1600
Los Angeles, CA 90067
Attention: Lawrence P. Schnapp, Esq.
Telephone: (310) 553-4441
Facsimile: (310) 201-4746

or at such other address or addresses as the Purchaser or the Company, as the case may be, may specify by written notice given in accordance with this SECTION 12.9.

12.10 ACCOUNTING TERMS. For purposes of this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to them by GAAP and all accounting determinations hereunder or pursuant hereto shall be made, and all financial statements required to be delivered by the Company and its Subsidiaries hereunder shall be prepared in accordance with GAAP.

12.11 DESCRIPTIVE HEADINGS; CONSTRUCTION AND INTERPRETATION. The descriptive headings of this Agreement are for convenience of reference only and do not constitute a part of this Agreement and are not to be considered in construing or interpreting this Agreement. All section, preamble, recital, exhibit, schedule, annex, addendum, clause and party references are to this Agreement unless otherwise stated. No party, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement, and all

provisions of this Agreement shall be construed in accordance with their fair meaning, and not strictly for or against any party.

12.12 EXHIBITS AND DISCLOSURE SCHEDULES. The Exhibits and the Schedules are incorporated herein and shall be an integral part of this Agreement.

12.13 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

12.14 ASSIGNMENTS OF NOTE. Subject to Applicable Laws, the Purchaser may, at any time and from time to time and without the consent of the Company, assign or transfer to one or more Persons the Note or any portion thereof (an "Assignment"), pursuant to the terms of the Note. After any Assignment of the Note or any portion thereof, the Holder or Holders that hold at least a majority in aggregate principal amount of the Note (or Notes) outstanding shall thereafter have the sole and exclusive right to enforce the rights of the Purchaser under this Agreement, including, without limitation, the right to consent to or waive any of the provisions of this Agreement.

12.15 FEES AND EXPENSES. The Company shall pay all actual and estimated out-of-pocket costs and expenses of every type and nature (including, without limitation, fees and expenses of counsel, accounting fees and expenses, fees and expenses related to any due diligence investigation and all other deal-related costs and expenses) incurred by or on behalf of the Purchaser in connection with the preparation, negotiation, execution and delivery of this Agreement, the Note, the Primary Warrant and the other Related Agreements and the consummation of the transactions contemplated hereby (which costs and expenses may be withheld by the Purchaser from the proceeds of the Note) and, as directed by the Purchaser, the Company shall reimburse third party providers directly for any of such costs and expenses (which withholding and, as the case may be, such direct reimbursement, shall constitute payment in full of the Company's obligation with respect to such costs and expenses).

12.16 GOVERNING LAW. In all respects, including all matters of construction, validity and performance, this Agreement and the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such state, without regard to the choice of law or conflicts of law principles thereof.

12.17 PUBLICITY. Each party will consult with the other before issuing, and provide each other the opportunity to review, comment upon and concur with and use reasonable efforts to agree on, any press release or other public statement with respect to the transactions contemplated by this Agreement, and shall not issue any such press release or make such other public announcement prior to such consultation, except as either party may determine is required under Applicable Laws or by obligations pursuant to any listing agreement with any

national securities exchange or Nasdaq. The parties agree that the initial press release to be issued with respect to the transactions contemplated by this Agreement shall be in the form heretofore agreed to by the parties.

12.18 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, AND UNDERSTANDING THEY ARE WAIVING A CONSTITUTIONAL RIGHT, THE PARTIES WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO, THIS SECURITIES PURCHASE AGREEMENT AND/OR ANY RELATED AGREEMENT OR THE TRANSACTIONS COMPLETED HEREBY OR THEREBY.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized representatives as of the date first written above.

PURCHASER

LEVINE LEICHTMAN CAPITAL PARTNERS, INC.,
a California corporation

On behalf of LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P., a California limited partnership

By: /s/ Lauren B. Leichtman

Lauren B. Leichtman
Chief Executive Officer

COMPANY

CONSUMER PORTFOLIO SERVICES, INC.,
a California corporation

By: /s/ Charles E. Bradley, Jr.

Charles E. Bradley, Jr.
President and Chief Executive Officer

By: /s/ Jeffrey P. Fritz

Jeffrey P. Fritz
Senior Vice President and Chief Financial Officer

ADDENDUM REGARDING STANWICH

The undersigned has reviewed this Agreement and understands its terms and conditions. Furthermore, the undersigned hereby agrees to the terms of, and to be bound by, the provisions of SECTION 8.24 of this Agreement as if the undersigned were a party to this Agreement for all purposes.

STANWICH FINANCIAL SERVICES CORP.,
a Rhode Island corporation

By: /s/ Charles E. Bradley, Sr.

Name: Charles E. Bradley, Sr.

Title: President

ANNEX A

FINANCIAL COVENANTS AND RELATED DEFINITIONS

(a) MAXIMUM MONTHLY RECEIVABLE ORIGINATIONS.

For each calendar month, commencing with the calendar month ending December 31, 1998 through the calendar month ending December 31, 1999, the monthly average of Automobile Contract originations by the Company and its Subsidiaries over the three (3) month period ending at the end of such calendar month shall not exceed $70,000,000.

(b) MAXIMUM MONTHLY OPERATING EXPENSES.

For each calendar month, commencing with the calendar month ending December 31, 1998 through the calendar month ending December 31, 1999, the monthly average of Operating Expenses incurred by the Company and its Subsidiaries over the three (3) month period ending at the end of such calendar month shall not exceed $6,000,000.

(c) MAXIMUM CAPITAL EXPENDITURES.

From and after the Closing Date, the Company and its Subsidiaries shall not incur Capital Expenditures during any fiscal year in excess of the amount set forth opposite such period below:

Fiscal Year Ended	Maximum Capital Expenditures
December 31, 1998	$3,500,000
Each fiscal year thereafter	$1,500,000

(d) MINIMUM QUARTERLY NET INCOME.

From and after the Closing Date, the Company and its Subsidiaries shall achieve Net Income of equal to or greater than $0 for each fiscal quarter.

(e) MAXIMUM PAYABLES OVER 60 DAYS PAST DUE.

The Company and its Subsidiaries shall not permit the sum of all trade payables which are sixty (60) days past due at the end of any given month to exceed $500,000.

(f) SECURITIZATION CREDIT TRIGGERS.

The Servicer shall not permit the Average Delinquency Ratio, the Cumulative Default Rate or the Cumulative Net Loss Rate of any Securitization Transaction to exceed the levels opposite the monthly periods set forth below:

MONTHS FROM CLOSING THE SECURITIZATION	AVERAGE DELINQUENCY RATIO	CUMULATIVE DEFAULT RATE	CUMULATIVE NET LOSS RATE
1 - 3	10.00%	3.33%	2.00%
4 - 6	10.00%	8.33%	5.00%
7 - 9	10.00%	11.67%	7.00%
10 - 12	10.00%	15.00%	9.00%
13 - 15	10.00%	18.33%	11.00%
16 - 18	10.00%	21.67%	13.00%
19 - 21	10.00%	24.25%	14.55%
22 - 24	10.00%	26.67%	16.00%
25 - 27	10.00%	28.75%	17.25%
28 - 30	10.00%	30.42%	18.25%
31 - 33	10.00%	32.08%	19.25%
34 - 36	10.00%	33.41%	20.05%
37 - 39	10.00%	34.58%	20.75%
40 - 42	10.00%	35.25%	21.15%
43 - 45	10.00%	35.83%	21.50%
46 - 48	10.00%	36.44%	21.86%
49 - 51	10.00%	36.78%	22.07%
52 - 54	10.00%	36.99%	22.20%
55 - 57	10.00%	37.10%	22.26%
58 - 60	10.00%	37.13%	22.28%

(g) AMOUNT IN REPOSSESSION

The aggregate amount attributable to repossessed automobiles (where such repossessions were by or at the Company's or at its Subsidiary's direction) shall not exceed five percent (5%) of the aggregate Gross Principal Balance of all Automobile Contracts owned or serviced by the Company or its Subsidiaries.

(h) AMOUNT OF DEFERRAL OR EXTENSION

The aggregate number of accounts with respect to which the Company grants a deferral or extension in any month shall not exceed two percent (2%) of the aggregate number of

Automobile Contracts owned or serviced by the Company or its Subsidiaries as of that month's end.

(i) AMOUNT OF CUMULATIVE DEFERRAL OR EXTENSION

The cumulative number of accounts with respect to which the Company and its Subsidiaries have granted a deferral or extension shall not exceed eighteen percent (18.0%) of the aggregate number of Automobile Contracts owned or serviced by the Company and its Subsidiaries as of that month's end.

(j) DEFINITIONS. For purposes of this ANNEX A only, the following capitalized terms shall have the meanings set forth below. To the extent that any such capitalized terms are also defined in SECTION 1 of the Securities Purchase Agreement, the meanings set forth below shall govern for purposes of this ANNEX A:

"AGGREGATE PRINCIPAL BALANCE" shall mean, with respect to any Determination Date and any Securitization Transaction, the sum of the Automobile Principal Balances (computed as of the end of the related Collection Period) for all Automobile Contracts (other than (i) any Liquidated Contract and (ii) Purchased Contract).

"AMOUNT FINANCED" shall mean, with respect to an Automobile Contract, the aggregate amount advanced under such Automobile Contract toward the purchase price of the Financed Vehicle and any related costs, including amounts advanced in respect of accessories, insurance premiums, service and warranty contracts, other items customarily financed as part of retail automobile installment sale contracts or promissory notes, and related costs.

"AUTOMOBILE CONTRACT DEBTOR" shall mean, with respect to any Automobile Contract, any purchaser or co-purchaser of any Financed Vehicle and any other Person who owes payments under such Automobile Contract.

"AUTOMOBILE CONTRACTS" shall mean retail installment sale contracts for a Financed Vehicle which are owned by the Company or its Subsidiaries.

"AUTOMOBILE PRINCIPAL BALANCE" shall mean, with respect to any Automobile Contract, as of the close of business on the last day of a Collection Period, the Amount Financed minus the sum of the following amounts without duplication: (i) in the case of a Rule of 78's Automobile Contracts, that portion of all Scheduled Payments actually received on or prior to such day allocable to principal using the actuarial or constant yield method; (ii) in the case of a Simple Interest Receivable, that portion of all Scheduled Payments actually received on or prior to such day allocable to principal using the Simple Interest Method; (iii) any payment of the Purchase Amount with respect to the Automobile Contract allocable to principal; (iv) any Cram Down Loss in respect of such Automobile Contract; and (v) any prepayment in full or any

partial prepayment applied to reduce the Automobile Principal Balance of the Automobile Contract.

"AVERAGE DELINQUENCY RATIO" shall mean, with respect to any Securitization Transaction and any Determination Date, the arithmetic average of the Delinquency Ratios for such Determination Date and the two immediately preceding Determination Dates.

"CAPITAL EXPENDITURES" shall mean, with respect to any period, the aggregate of all expenditures (whether paid in cash or accrued) of the Company and its Subsidiaries made during such period, including all Capital Lease Obligations for property, plant and equipment (other than repairs), other fixed assets and improvements, or for replacements, substitutions or additions thereto, that are required to be capitalized on the consolidated balance sheet of the Company in accordance with GAAP.

"COLLATERAL COVERAGE RATIO" shall mean, with respect to any period, a fraction, expressed as a percentage, the numerator which is equal to aggregate cash balance in all cash collateral accounts or other escrow or reserve accounts established in connection with any Securitization Transaction, and the denominator of which is equal to the principal balance of the Note.

"COLLECTION PERIOD" shall mean (i) with respect to the first Payment Date, the period commencing at the close of business on the Initial Cut-Off Date and ending at the close business on the last day of the then current month, and (ii) with respect to each Subsequent Payment Date, the preceding calendar month. Any amount stated "as of the close of business of the last day of a Collection Period" shall give effect to the following calculations as determined as of the end of the day on such last day: (i) all applications of collections and (ii) all distributions.

"CRAM DOWN LOSSES" shall mean, with respect to an Automobile Contract, if a court of appropriate jurisdiction in an insolvency proceeding shall have issued an order reducing the amount owed on an Automobile Contract or otherwise modifying or restructuring Scheduled Payments to be made on an Automobile Contract, an amount equal to such reduction in the net present value (using as the discount rate the lower of the contract rate or the rate of interest specified by the court in such order) of the Scheduled Payments as so modified or restructured. A "Cram Down Loss" shall be deemed to have occurred on the date such order is entered.

"CUMULATIVE DEFAULT RATE" shall mean, with respect to any Securitization Transaction and with respect to any Determination Date, the fraction, expressed as a percentage, the numerator of which is equal to the Aggregate Principal Balance of all Automobile Contracts which became Defaulted Contracts from the Cut-Off Date as of the close of business at the end of the related Collection Period and the denominator of which is equal to the sum of (a) the original Aggregate Principal Balance of all Automobile Contracts as of the Cut-Off Date plus (b) the Aggregate Principal Balance of all Subsequent Contracts conveyed to such Securitization

Transaction (determined as of the respective Subsequent Cut-Off Dates) through the last day of the related Collection Period.

"CUMULATIVE NET LOSS RATE" shall mean, with respect to any Securitization Transaction and with respect to any Determination Date, the fraction, expressed as a percentage, the numerator of which is equal to the amount, if any, by which (a) the sum of (i) the Automobile Principal Balance of all Automobile Contracts which became Liquidated Contracts as of the end of the related Collection Period since the Cut-Off Date, plus accrued and unpaid interest thereon at the applicable Annual Percentage Rate to the end of the related Collection Period, plus (ii) the aggregate of all Cram Down Losses that occurred as of the end of the related Collection Period since the Cut-Off Date, exceeds (b) the Net Liquidation Proceeds received as of the end of the related Collection Period since the Cut-Off Date in respect of all Liquidated Contracts and the denominator of which is equal to the sum of (i) the original Aggregate Principal Balance of all Automobile Contracts as of the Cut-Off Date plus (ii) the Aggregate Principal Balance of all Subsequent Contracts conveyed to such Securitization Transaction (determined as of the respective Subsequent Cut-Off Dates) through the last day of the related Collection Period.

"CUT-OFF DATE" shall mean the date upon which (i) money received under Automobile Contracts sold in any Securitization Transactions becomes payable to the trustee or similar Person with respect to the relevant Securitization Transaction Documents (including, without limitation, principal prepayments relating to scheduled payments), and (ii) all Net Liquidation Proceeds received with respect to such Automobile Contracts.

"DEFAULTED CONTRACTS" shall mean any Automobile Contracts with respect to which (i) any Automobile Contract Debtor has failed to make more than 90% of a Scheduled Payment of more than ten dollars for 180 days or more, (ii) the Servicer has repossessed the Financed Vehicle (and any applicable redemption period has expired), or (iii) the Servicer has determined in good faith that payments under the Automobile Contracts are not likely to be resumed.

"DELINQUENCY AMOUNT" shall mean, with respect to any Securitization Transaction, as of any Determination Date, the sum of the Automobile Principal Balance and Unearned Interest with respect to all Automobile Contracts with respect to which any Automobile Contract Debtor has failed to make more than 90% of a Scheduled Payment of more than ten dollars for 30 days or more as of the close of business on the last day of the related Collection Period or that became a Purchased Contract as of the close of business on the last day of the related Collection Period and with respect to which as of such date an Automobile Contract Debtor has failed to make more than 90% of a Scheduled Payment of more than ten dollars for 30 days or more.

DELINQUENCY RATIO" shall mean, with respect to any Securitization Transaction, as of any Determination Date, the fraction (expressed as a percentage) computed by dividing (a) the Delinquency Amount by (b) the sum of the (i) Aggregate Principal Balance and (ii) Unearned Interest with respect to all Automobile Contracts as of the close of business on the last day of the related Collection Period.

"DETERMINATION DATE" shall mean the earlier of (i) the seventh Business Day of each calendar month and (ii) the fifth Business Day preceding the related Payment Date.

"FINANCED VEHICLE" shall mean a new or used automobile, light truck, van or minivan, together with all accessions thereto, securing any Automobile Contract Debtor's indebtedness under an Automobile Contract.

"GROSS PRINCIPAL BALANCE" shall mean the outstanding principal balance of the Automobile Contracts plus Unearned Interest.

"INITIAL CUT-OFF DATE" shall mean the first Cut-Off Date of any Securitization Transactions.

"LIQUIDATED CONTRACTS" shall mean any Automobile Contract (i) which has been liquidated by the Servicer through the sale of the Financed Vehicle or (ii) for which the related Financed Vehicle has been repossessed and 120 days have elapsed since the date of such repossession or (iii) as to which an Automobile Contract Debtor has failed to make more than 90% of a Scheduled Payment of more than ten dollars for 180 or more days as of the end of a Collection Period or (iv) with respect to which proceeds have been received which, in the Servicer's judgment, constitute the final amounts recoverable in respect of such Automobile Contract.

"NET INCOME" shall mean, with respect to any period, net income after provision for income taxes for such period, as determined in accordance with GAAP and reported on the financial statements for such period.

"NET LIQUIDATION PROCEEDS" shall mean, with respect to any Securitization Transaction, as to any Liquidated Contract, all amounts realized with respect to such Automobile Contract net of (i) reasonable expenses incurred by the Servicer in connection with the collection of such Automobile Contract and the repossession and disposition of the Financed Vehicle and (ii) amounts that are required to be refunded to the Automobile Contract Debtor on such Automobile Contract; PROVIDED, HOWEVER, that the Net Liquidation Proceeds with respect to any Automobile Contract shall in no event be less than zero.

"OPERATING EXPENSES" shall mean, with respect to any period, expenses for such period, as determined in accordance with GAAP and reported on the financial statements for such period, excluding the following expense items for such period: (i) Securitization Transaction expenses, (ii) provision for credit losses, (iii) interest, (iv) depreciation, (v) amortization and (vi) provision for income taxes.

"PAYMENT DATE" shall mean, with respect to each Collection Period, the 15th day of the following calendar month, or if such day is not a Business Day, the immediately following Business Day.

"PURCHASED CONTRACT" shall mean an Automobile Contract purchased as of the close of business on the last day of a Collection Period by the Servicer.

"SCHEDULED PAYMENT" shall mean, with respect to any Collection Period for any Automobile Contract, the amount set forth in such Automobile Contract as required to be paid by the Automobile Contract Debtor in such Collection Period (without giving effect to deferments of payments or any rescheduling of payments in any insolvency or similar proceedings).

"SECURITIZATION TRANSACTIONS" shall mean any past, present or future transactions completed or to be completed by the Company and its Subsidiaries involving the pooling and sale of Automobile Contracts.

"SERVICING PORTFOLIO" shall mean all Automobile Contracts currently being serviced by the Servicer.

"SUBSEQUENT CONTRACTS" shall mean Automobile Contracts sold to any existing Securitization Transactions existing at the time of such sale after the Initial Cut-Off Date with respect to that Securitization Transaction.

"SUBSEQUENT CUT-OFF DATES" shall mean any Cut-Off Date after the Initial Cut-Off Date with respect to any Securitization Transaction.

"SERVICER" shall mean the Company, as the servicer of Automobile Contracts, and each successor Servicer.

"UNEARNED INTEREST" shall mean, with respect to any Automobile Contract as of any Determination Date, all interest on such Automobile Contract which is unpaid as of such Determination Date, whether or not such interest is due.

THE SECURITY REPRESENTED HEREBY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE ASSIGNED EXCEPT IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION OR QUALIFICATION THEREFROM.

CONSUMER PORTFOLIO SERVICES, INC.

SENIOR SUBORDINATED PRIMARY NOTE

$25,000,000.00 November 17, 1998

FOR VALUE RECEIVED, Consumer Portfolio Services, Inc., a California corporation (the "Borrower" or the "Company"), hereby promises to pay to the order of Levine Leichtman Capital Partners II, L.P., a California limited partnership ("LLCP" or the "Purchaser"), and/or any registered assigns (collectively, with LLCP, the "Holder"), the sum of Twenty-Five Million Dollars ($25,000,000.00) in immediately available funds and in lawful money of the United States of America, all as provided below. This Senior Subordinated Primary Note (this "Note"), due on the Maturity Date (as such term is defined below), is being issued in connection with the consummation of the transactions contemplated by the Securities Purchase Agreement, dated of even date herewith, between the Company and LLCP (as it may be amended, supplemented or otherwise modified and in effect from time to time, the "Securities Purchase Agreement").

The Indebtedness evidenced by this Note, including the payment of principal of, premium, if any, and interest on this Note, shall be subordinate and subject in right of payment, to the extent and in the manner set forth in SECTION 11 hereof, to the prior payment in full of all Senior Indebtedness, and shall rank PARI PASSU in right of payment with all Senior Subordinated Indebtedness.

1. DEFINITIONS. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Securities Purchase Agreement.

2. PAYMENT OF INTEREST. The Borrower shall pay interest on the unpaid principal balance of this Note from the date hereof until fully paid at a rate per annum equal to 13.50%. Interest shall be payable monthly in arrears on the last Business Day of each calendar month (or portion thereof), commencing on November 30, 1998 (each an "Interest Payment Date"). Interest shall be computed on the basis of the actual number of days elapsed over a 360-day year, including

the first day and excluding the last day. If (a) the Borrower fails to make any payment of principal as and when due (whether at stated maturity, upon acceleration or required prepayment or otherwise), (b) the Borrower fails to make any payment of interest, premium, if any, fees, costs, expenses or other amounts due hereunder within one (1) Business Day after the date when due, or (c) any other Default or Event of Default has occurred and is continuing, then, in addition to the rights and remedies available to the Holder under the Securities Purchase Agreement, the other Related Agreements and Applicable Laws, the outstanding principal balance of, premium, if any, and accrued and unpaid interest on this Note shall bear interest at the rate of 15.50% per annum (the "Default Rate") from the date on which such Event of Default is deemed to have occurred (as provided in SECTION 11.1 of the Securities Purchase Agreement) until such Event of Default is cured or waived.

3. PAYMENT OF PRINCIPAL. The Borrower shall pay in full the entire outstanding principal balance of this Note, together with all premium, if any, accrued and unpaid interest on, and all other amounts due under this Note on the earlier to occur (the "Maturity Date") of (a) the New Senior Facility Establishment Date and (b) November 30, 2003.

4. OPTIONAL PREPAYMENTS.

(a) Except as provided in SECTION 5 and SECTION 6 below, the Borrower shall make no payment of the principal balance of this Note prior to October 31, 2000 (except on the New Senior Facility Establishment Date as provided for in SECTION 3). Thereafter, this Note may be voluntarily prepaid, at the option of the Borrower, in whole or in part, as follows: (i) at 103.0% of the principal amount being prepaid at any time on or after October 31, 2000, and on or prior to October 31, 2001; (ii) at 101.5% of the principal amount being prepaid at any time on or after November 1, 2001 and on or prior to October 31, 2002; and (iii) at 100.0% of the principal amount being prepaid at any time on or after November 1, 2002. (Each percentage set forth above is referred to herein as the "Prepayment Percentage" applicable to any prepayment.) Any prepayment of the Note under this SECTION 4 shall also include all accrued and unpaid interest on the outstanding principal balance of this Note through and including the date of prepayment.

(b) The Borrower shall give the Holder written notice of each voluntary prepayment not less than thirty (30) nor more than ninety (90) days prior to the date of prepayment. Such notice shall specify the principal amount of this Note to be prepaid on such date. Notice of prepayment having been given as aforesaid, a payment in an amount equal to (i) the Prepayment Percentage applicable to such prepayment, if any, MULTIPLIED BY (ii) the principal amount of the Note specified in such prepayment notice shall become due and payable on such prepayment date, together with all accrued and unpaid interest on the outstanding principal balance of this Note through and including the date of prepayment.

MANDATORY PREPAYMENTS. In addition to the mandatory prepayments required to be made by the Company pursuant to SECTION 6 (and provided that, to the extent any ESFR Indebtedness remains outstanding at the time any such prepayments is required to be made, such prepayment would constitute an ESFR Permitted Payment):

(a) FAILURE TO OBTAIN EXCESS WARRANT SHARE APPROVAL. If the Shareholder Meeting (as such term is defined in the Securities Purchase Agreement) occurs prior to the New Senior Facility Establishment Date and the shareholders of the Company fail to approve the issuance by the Company of the Excess Warrant Shares (as such term is defined in SECTION 2.5 of the Primary Warrant), the Company shall make a mandatory prepayment of the outstanding principal balance of this Note in an amount equal to $2,419,985.51, PLUS (i) all accrued and unpaid interest on this Note through and including the date of prepayment, PLUS (ii) a prepayment premium equal to $419,790.00. Such mandatory prepayment, if due, shall be payable on the first Business Day following the earlier of (A) the date of the Shareholder Meeting and (B) May 31, 1999. On or before the earlier to occur of (x) the fifteenth day prior to the date fixed for the Shareholder Meeting and (y) May 15, 1999, the Company shall establish an escrow account, on terms and conditions satisfactory to the Purchaser, and deposit into such account the aggregate amount of such mandatory prepayment. Such terms and conditions shall include, without limitation, the requirement that the mandatory prepayment required under this SECTION 5(a) be funded with the amounts deposited in such escrow account (PROVIDED that such prepayment constitutes an ESFR Permitted Payment).

(b) ASSET SALE PREPAYMENTS. In addition, if at any time the Company intends to consummate any Asset Sale, it shall, within ten (10) Business Days prior to the proposed date of consummation, notify the Holder in writing of the proposed Asset Sale (including, without limitation, the subject matter and the material terms thereof and the proposed date of consummation). Promptly following the Holder's receipt of such written notice, the Holder will furnish to the Company a written notice directing the Company either (i) to apply all Net Available Cash derived from such Asset Sale to prepay outstanding Indebtedness under the Note or (ii) hold such Net Available Cash in a separate interest-bearing account pending further directions from the Holder. If the Holder directs the Company to prepay such Indebtedness pursuant to clause (i) above, the Company shall make such prepayment within three (3) Business Days following the date of consummation of such Asset Sale. Any Net Cash Available held in a separate interest-bearing account pursuant to clause (ii) above shall not be deemed to have been applied as a prepayment to any Indebtedness under the Note unless and until paid to the Holder pursuant to specific directions furnished by the Holder to the Company. This SECTION 5(b) shall not apply to (A) the sale by the Company of the Capital Stock of CPS Leasing, Inc., LINC Acceptance LLC and Samco Acceptance Corp., as contemplated by the CPS Operating Plan, (B) the sale or other disposition of the Company's interest in NAB Asset Corp., or (C) sales of any tangible personal property of the Company that do not exceed $50,000 in the aggregate in any fiscal year of the Company; PROVIDED, HOWEVER, that in each of clauses (A), (B) and (C), the Company reinvests the proceeds of such sales in the operations of its business.

(c) EXCESS CASH PREPAYMENTS. For each twelve (12) month period ending on July 31st of any fiscal year of the Company, commencing with the twelve (12) month period ending July 31, 2000, the Company shall prepay the outstanding principal balance of the Note, together with all accrued and unpaid interest thereon, in an amount equal to 25.0% of the Excess Cash for such twelve (12) month period. Such mandatory prepayment shall be paid by the Company to the Holder not later than November 1st immediately following the end of such twelve (12) month period (the first payment of which shall be due and payable no later than November 1, 2000) and, concurrently with such payment, the Company shall deliver to the Holder an officer's certificate, signed by the Chief Financial Officer of the Company, which shows in reasonable detail the calculation of such Excess Cash.

(d) MANDATORY PREPAYMENT FROM PROCEEDS OF KEY MAN LIFE INSURANCE. The Company shall, within one (1) Business Day of the receipt thereof, apply the proceeds from any key-man life insurance policy maintained as required by SECTION 8.8 of the Securities Purchase Agreement to, first, the payment of all accrued interest on this Note, through the date of such payment, and, second, to the prepayment of the principal amount of this Note. Any proceeds after the payment in full as provided above shall be and remain the property of the Company.

The mandatory prepayments provided for in this SECTION 5 shall be paid at 100.0% of the principal amount required to be prepaid, PLUS premium, if any, and accrued and unpaid interest, all as provided for above. To the extent that any payment required by this SECTION 5 is not made because such payment does not constitute an ESFR Permitted Payment, the obligation to make such payment shall be deferred until such time as the ESFR Indebtedness is no longer outstanding or such payment becomes an ESFR Permitted Payment, and such payment shall be made on the next following Business Day.

6. CHANGE IN CONTROL PREPAYMENT. The Holder may require the Borrower to prepay this Note, in whole or in part as requested by the Holder, at any time during the 90-day period following the consummation of a transaction which constitutes a Change in Control (as such term is defined below), at the prepayment amounts set forth below (and provided that, to the extent any ESFR Indebtedness remains outstanding at the time any such prepayments is required to be made, such prepayment would constitute an ESFR Permitted Payment). For the purposes of this Note, a "Change in Control" shall mean:

(i) Any transaction or other event (including, without limitation, any merger, consolidation, sale or other transfer of stock or voting rights with respect thereto, issuance of stock, death or other transaction or event) by virtue of which Charles E. Bradley, Jr. fails to own, directly or indirectly through one or more of his Affiliates, at least 2,250,000 shares of Common Stock (as adjusted from time to time, the "Base Bradley Shares"), after giving effect to any shares of Common Stock that may be acquired upon exercise of any Option Rights owned or held by Mr. Bradley as of the date hereof, but without giving effect to any stock splits or similar events occurring after the date hereof; PROVIDED, HOWEVER, that (A) the Base Bradley Shares shall increase by the number of

shares of Common Stock acquired by Mr. Bradley (whether by purchase, exercise of Option Rights granted after the date hereof, bequest, inheritance, gift or otherwise) at any time after the date hereof, (B) shares of Common Stock owned by Charles E. Bradley, Sr. shall not be deemed to be owned by Mr. Bradley for purposes of this clause (i) (other than shares of Common Stock owned by Charles E. Bradley, Sr. which are subject to certain Option Rights in favor of Mr. Bradley), (C) the Base Bradley Shares shall be reduced by the number of shares of Common Stock held by Stanwich which constitute Base Bradley Shares that are sold or pledged by Stanwich after the date hereof, PROVIDED that Mr. Bradley does not, directly or indirectly, solicit, initiate, engage in or encourage in any manner whatsoever any discussions, or participate in any other activities, relating to such sale or pledge, (D) the Base Bradley Shares shall be reduced by shares of Common Stock included therein that are subject to Option Rights which expire at any time after the date hereof; and (E) the Base Bradley Shares shall not be affected by (x) any shares of Common Stock purchased by Mr. Bradley on the open market after the date hereof or (y) any shares of Common Stock purchased by Mr. Bradley on the open market after the date hereof and thereafter sold by Mr. Bradley on the open market; or

(ii) (A) The termination (whether voluntary or involuntary) of the employment of Charles E. Bradley, Jr. as the President and Chief Executive Officer of the Company with significant daily senior management responsibilities; or (B) the termination (whether voluntary or involuntary) of the employment of Jeffrey P. Fritz as the Chief Financial Officer of the Company with significant daily senior management responsibilities, PROVIDED that no Change in Control shall be deemed to occur under this clause (ii) (B) if, within ninety (90) days after the termination of the employment of Mr. Fritz, the Board of Directors of the Company shall have appointed a new Chief Financial Officer of the Company who is acceptable to the Purchaser; or

(iii) Any sale, lease, transfer, assignment or other disposition of all or substantially all of the assets of the Borrower (excluding assets sold in connection with an asset securitization transaction in the ordinary course of the Company's business) or any of its Subsidiaries.

In the case of a Change in Control in respect of clauses (i) or (ii) above, the Company shall prepay an amount equal to 101.0% of the principal amount being prepaid, PLUS accrued and unpaid interest through and including the date of prepayment, and in the case of a Change in Control in respect of clause (iii) above, the Company shall prepay an amount equal to 100.0% of the principal amount being prepaid, PLUS accrued and unpaid interest through and including the date of prepayment. The Borrower shall notify the Holder of the date on which a Change in Control has occurred within one (1) Business Day after such date and shall, in such notification, inform the Holder of the Holder's right to require the Borrower to prepay this Note as provided in this SECTION 6 and of the date on which such right shall terminate. If the Holder elects to require the Borrower to prepay this Note pursuant to this SECTION 6, it shall furnish written notice to the Borrower advising the Borrower of such election and the amount of principal

of this Note to be prepaid. The Borrower shall prepay this Note in accordance with this SECTION 6 and such written notice within one (1) Business Day after its receipt of such written notice. To the extent that any payment required by this SECTION 6 is not made because such payment does not constitute an ESFR Permitted Payment, the obligation to make such payment shall be deferred until such time as the ESFR Indebtedness is no longer outstanding or such payment becomes an ESFR Permitted Payment, and such payment shall be made on the next following Business Day.

7. HOLDER ENTITLED TO CERTAIN BENEFITS UNDER SECURITIES PURCHASE AGREEMENT. This Note is the "Note" referred to in the Securities Purchase Agreement which provides for, among other things, the acceleration by the Purchaser of all outstanding principal of, and accrued and unpaid interest on, this Note upon the occurrence of an Event of Default as specified therein.

8. MANNER OF PAYMENT. Payments of principal, interest and other amounts due under this Note shall be made no later than 12:00 p.m. (noon) (Los Angeles time) on the date when due and in lawful money of the United States of America (by wire transfer in funds immediately available at the place of payment) to such account as the Holder may designate in writing to the Borrower and, if to LLCP, to: Bank of America, Century City, Private Banking, 2049 Century Park East, Los Angeles, California 90067; ABA No. 121000358; Account No. 11546-03239; Attention: Cheryl Stewart (or such other place of payment that LLCP may designate in writing to the Borrower). Any payments received after 12:00 p.m. (noon) (Los Angeles time) shall be deemed to have been received on the next succeeding Business Day. Any payments due hereunder which are due on a day which is not a Business Day shall be payable on the first succeeding Business Day and such extension of time shall be included in the computation.

9. MAXIMUM LAWFUL RATE OF INTEREST. The rate of interest payable under this Note shall in no event exceed the maximum rate permissible under applicable law. If the rate of interest payable on this Note is ever reduced as a result of this SECTION 9 and at any time thereafter the maximum rate permitted under applicable law exceeds the rate of interest provided for in this Note, then the rate provided for in this Note shall be increased to the maximum rate provided for under applicable law for such period as is required so that the total amount of interest received by the Holder is that which would have been received by the Holder but for the operation of the first sentence of this SECTION 9.

10. BORROWER'S WAIVERS. The Borrower hereby waives presentment for payment, demand, protest, notice of protest and notice of dishonor hereof, and all other notices of any kind to which it may be entitled under applicable law or otherwise.

11. NOTE SUBORDINATED TO SENIOR INDEBTEDNESS; SUBROGATION.

(a) The Indebtedness evidenced by this Note, including the payment of principal of, premium, if any, and other amounts on this Note, is hereby expressly made subordinate and subject in right of payment, to the extent and in the manner set forth in this SECTION 11, to the prior

payment in full of all Senior Indebtedness, and shall rank PARI PASSU in right of payment with all Senior Subordinated Indebtedness.

(b) Until all Senior Indebtedness shall have been paid in full, the Holder shall be permitted to retain only the following payments of principal and interest paid by the Company with respect to this Note (all such payments being referred to herein as "Permitted Payments"), and all such payments that do not constitute Permitted Payments will be turned over by the Holder to the holder or holders of Senior Indebtedness or any agent therefor (a "Senior Agent") for the benefit of the holder or holders of Senior Indebtedness:

(i) principal payments on this Note, whether (A) on the Maturity Date, or (B) as provided for herein (including, without limitation, pursuant to SECTION 4 (Optional Prepayments), SECTION 5 (Mandatory Prepayments) or SECTION 6 (Change in Control Prepayments) hereof) or as required in the Securities Purchase Agreement; PROVIDED, HOWEVER, that all such principal payments are subject to the restrictions set forth in SECTION 11(c) and SECTION 11(d) hereof; and

(ii) payments of interest with respect to this Note, so long as no default has occurred and is then continuing with respect to the payment of principal of or interest on the Senior Indebtedness (for such purposes, any such default which has been cured by payment or which has been waived shall not be deemed to be continuing).

(c) From and after receipt by the Company of a written notice (a "Default Notice") from the holder or holders of not less than fifty-one percent (51.0%) in principal amount of the outstanding Senior Indebtedness or any agent therefor (a "Senior Agent") specifying that a default in the payment of any obligation on any Senior Indebtedness when due, whether at the stated maturity of any such payment or by declaration of acceleration, call for redemption, mandatory repurchase, payment or prepayment or otherwise (a "Senior Payment Default") has occurred, the Company may not make any principal payments described in SECTION 11(b)(i) to the Holder, and the Holder may not accelerate the Maturity Date until the first to occur of the following:

(i) such Senior Payment Default is cured; or

(ii) such Senior Payment Default is waived by the holder or holders of such Senior Indebtedness or the Senior Agent; or

(iii) the expiration of one hundred eighty (180) days after the date the Default Notice is received by the Company, if the maturity of such Senior Indebtedness has not been accelerated at such time or the holder or holders of not less than fifty-one percent (51.0%) in principal amount of the outstanding Senior Indebtedness or any Senior Agent shall not have exercised any judicial or non-judicial remedy with respect to any

collateral securing such Senior Indebtedness at such time, and the provisions of this SECTION 11 otherwise permit the payment at such time.

(d) So long as any ESFR Indebtedness remains outstanding, the Company may not make any principal payments on this Note except (i) the Company may pay any or all of the outstanding principal amount of this Note on the New Senior Facility Establishment Date if, but only if, arrangements have been made which are reasonably satisfactory to the ESFR Agent to concurrently borrow funds under the New Senior Credit Facility established on the New Senior Facility Establishment Date to pay in full all ESFR Indebtedness then outstanding substantially concurrently with such principal payment (it being expressly contemplated that such payment may be effected immediately prior to the borrowing by the Company of such funds under the New Senior Credit Facility to the extent that the Holder uses the proceeds from such repayment to purchase a New Senior Facility Note immediately prior to the payment in full of all Indebtedness then outstanding under the ESFR Agreement), and (ii) the Company may make any principal payment required by SECTION 5(d) hereof (Mandatory Prepayment From Proceeds of Key Man Life Insurance).

(e) Upon a payment or distribution to creditors of the Company in a liquidation, dissolution, or winding up of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its properties or an assignment for the benefit of creditors or any marshaling of the Company's assets and liabilities:

(i) the holder or holders of Senior Indebtedness shall be entitled to receive payment of the full amount of the Senior Indebtedness before the Holder is entitled to receive any payment on account of the principal of, premium, if any, or interest on this Note; and

(ii) any payment by, or distribution of assets of, the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this SECTION 11 with respect to this Note, to the payment of all Senior Indebtedness, PROVIDED that the right of the holders of Senior Indebtedness are not impaired by such reorganization or readjustment) to which the Holder would be entitled except for the provisions of this SECTION 11 shall be paid or delivered by the Person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holder or holders of Senior Indebtedness or any Senior Agent, ratably according to the aggregate amounts remaining unpaid on account of the Senior Indebtedness held or represented by each, to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid after giving effect to any concurrent payment or distribution to the holder or holders of Senior Indebtedness, before any payment or distribution is made to the Holder; and

(iii) in the event, notwithstanding the foregoing, any payment by, or distribution of assets of, the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this SECTION 11 with respect to this Note, to the payment of all Senior Indebtedness, PROVIDED that the rights of the holders of Senior Indebtedness are not impaired by such reorganization or readjustment) shall be received by the Holder before all Senior Indebtedness is paid in full, such payment or distribution shall be paid over to the holder or holders of such Senior Indebtedness or any Senior Agent, ratably as aforesaid, for application to the payment of all Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

(f) The Holder acknowledges that the holders of Senior Indebtedness and the Holder, respectively, are entitled to exercise certain rights and powers with respect to the Company from time to time, whether before or after an occurrence of an Event of Default, and the exercise of any such right or power by one creditor may preclude the exercise of a similar right or power by one or more other creditors (any such right or power being herein called an "Exclusive Power"). To the extent that any holder or holders of Senior Indebtedness or any Senior Agent actually exercises any Exclusive Power, the Holder agrees to refrain from exercising any substantially similar Exclusive Power to the extent necessary to permit the holder or holders of Senior Indebtedness to benefit from their actions.

(g) No amendment, modification, extension, replacement, restatement or substitution of Senior Indebtedness, or of any agreement or note now or hereafter in effect pertaining to such Senior Indebtedness, shall nullify, impair, limit, alter or modify the provisions of this SECTION 11.

(h) For purposes of this SECTION 11, Senior Indebtedness shall include all fees, expenses and costs incurred by or on behalf of the holder or holders of Senior Indebtedness or the Senior Agent in connection with such Senior Indebtedness.

(i) Notices to holders of Senior Indebtedness shall be made to each holder of Senior Indebtedness or, if the holders of Senior Indebtedness have appointed a Senior Agent, then to such Senior Agent, and shall be made in the manner specified in the document evidencing such holder's Senior Indebtedness if such a manner is so specified therein.

(j) Subject to the payment in full of all Senior Indebtedness, the Holder shall be subrogated to the rights of the holder or holders of Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to such Senior Indebtedness until all amounts owing on this Note shall be paid in full, and, as between the Company, its creditors other than holders of Senior Indebtedness and the Holder, no such payment or

distribution made to the holder or holders of Senior Indebtedness by virtue of this SECTION 11 which otherwise would have been made to the Holder shall be deemed to be a payment by the Company on account of any Senior Indebtedness, it being understood that the provisions of this SECTION 11 are and are intended solely for the purpose of defining the relative rights of the Holder, on the one hand, and the holder or holders of Senior Indebtedness, on the other hand.

(k) Nothing contained in this SECTION 11 or elsewhere in this Note is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness and the Holder, the obligations of the Company, which are absolute and unconditional, to pay to the Holder the principal of, premium, if any, and interest on this Note as and when the same shall become due and payable in accordance with the terms hereof and in the Securities Purchase Agreement, or is intended to or shall affect the relative rights of the Holder, on the one hand, and creditors of the Company other than the holders of Senior Indebtedness, on the other hand, nor shall anything herein or therein prevent the Holder from exercising all rights and remedies otherwise permitted by Applicable Laws upon default under this Note or the Securities Purchase Agreement, subject to the rights, if any, under this SECTION 11 of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

(l) Upon any payment or distribution of assets of the Company referred to in this SECTION 11, the Holder shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which any such dissolution, winding up, liquidation or reorganization proceeding affecting the affairs of the Company is pending or upon a certificate of the trustee in bankruptcy, receiver, assignee for the benefit of creditors, liquidating trustee or agent or other person making any payment or distribution, delivered to the Holder, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amounts paid or distributed thereon and all other facts pertinent thereto or to this SECTION 11.

12. ASSIGNMENT AND TRANSFER. Subject to Applicable Laws, the Holder may, at any time and from time to time and without the consent of the Company, assign or transfer to one or more Persons the entire outstanding principal balance of this Note or any portion thereof (but not less than $1,000,000 in principal amount in any single assignment (unless such lesser amount represents the entire outstanding principal balance hereof)). Upon surrender of this Note at the Company's principal executive office for registration of any such assignment or transfer, accompanied by a duly executed instrument of transfer, the Company shall, at its expense and within three (3) Business Days of such surrender, execute and deliver one or more new notes of like tenor in the requested principal denominations and in the name of the assignee or assignees and bearing the legend set forth on the face of this Note, and this Note shall promptly be canceled. Each assignment or transfer of this Note, in whole or in part, shall be registered on the register maintained by the Borrower pursuant to SECTION 12.3 of the Securities Purchase Agreement immediately following the surrender of this Note. If the entire outstanding principal balance of

this Note is not being assigned, the Borrower shall issue to the Holder hereof, within three (3) Business Days of the date of surrender hereof, a new note which evidences the portion of such outstanding principal balance not being assigned. If this Note is divided into one or more Notes and is held at any time by more than one Holder, any payments of principal of, or premium, if any, on this Note, and any payments of interest or other amounts which are not sufficient to pay all interest or other amounts due thereunder, shall be made PRO RATA with respect to all such Notes in accordance with the outstanding principal amounts thereof, respectively.

13. LOSS, THEFT, DESTRUCTION OR MUTILATION OF THIS NOTE. Upon receipt of evidence reasonably satisfactory to the Borrower of the loss, theft, destruction or mutilation of this Note and, in the case of any such loss, theft or destruction, upon receipt of an indemnity agreement or other indemnity reasonably satisfactory to the Borrower or, in the case of any such mutilation, upon surrender and cancellation of such mutilated Note, the Borrower shall make and deliver within three (3) Business Days a new Note, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Note.

14. COSTS OF COLLECTION. The Borrower agrees to pay all costs and expenses, including the fees and expenses of any attorneys, accountants and other experts retained by the Holder, which are expended or incurred by the Holder in connection with (a) the enforcement of this Note or the collection of any sums due hereunder, whether or not suit is commenced; (b) any actions for declaratory relief in any way related to this Note; (c) the protection or preservation of any rights of the Holder under this Note; (d) any actions taken by the Holder in negotiating any amendment, waiver, consent or release of or under this Note; (e) any actions taken in reviewing the Borrower's or any of its Subsidiaries' financial affairs if an Event of Default has occurred or the Holder has determined in good faith that an Event of Default may likely occur, including, without limitation, the following actions: (i) inspect the facilities of the Borrower and any of its Subsidiaries or conduct audits or appraisals of the financial condition of the Borrower and any of its Subsidiaries; (ii) have an accounting firm chosen by the Holder review the books and records of the Borrower and any of its Subsidiaries and perform a thorough and complete examination thereof; (iii) interview the Borrower's and each of its Subsidiaries' employees, accountants, customers and any other individuals related to the Borrower or its Subsidiaries which the Holder believes may have relevant information concerning the financial condition of the Borrower and any of its Subsidiaries; and (iv) undertake any other action which the Holder believes is necessary to assess accurately the financial condition and prospects of the Borrower and any of its Subsidiaries; (f) the Holder's participation in any refinancing, restructuring, bankruptcy or insolvency proceeding involving the Borrower, any of its Subsidiaries or any other Affiliate of the Borrower; (g) verifying or perfecting any security interest granted to the Holder; (h) any effort by the Holder to protect, assemble, complete, collect, sell, liquidate or otherwise dispose of any collateral, including in connection with any case under Bankruptcy Law; or (i) any refinancing or restructuring of this Note, including without limitation any restructuring in the nature of a "work out" or in any insolvency or bankruptcy proceeding.

15. EXTENSION OF TIME. The Holder, at its option, may extend the time for payment of this Note, postpone the enforcement hereof, or grant any other indulgences without affecting or diminishing the Holder's right to recourse against the Borrower, which right is expressly reserved.

16. GOVERNING LAW; INTERPRETATION. In all respects, including all matters of construction, validity and performance, this Note and the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such state, without regard to choice of law or conflicts of law principles. The Company and LLCP have each been represented by counsel in the negotiation and drafting of this Note and neither the Company nor LLCP nor their respective counsel shall be deemed the drafter of this Note for purposes of construing the provisions of this Note, and all provisions of this Note shall be construed in accordance with their fair meaning, and not strictly for or against the Company or the Holder.

17. WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE COMPANY AND THE HOLDER DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, AND UNDERSTANDING THEY ARE WAIVING A CONSTITUTIONAL RIGHT, THE COMPANY AND THE HOLDER (BY ACCEPTANCE HEREOF) WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO, THIS NOTE, THE SECURITIES PURCHASE AGREEMENT AND/OR ANY OTHER RELATED AGREEMENT OR THE TRANSACTIONS COMPLETED HEREBY OR THEREBY.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed and delivered by its duly authorized representatives on the date first above written.

CONSUMER PORTFOLIO SERVICES, INC., a California corporation

By: /s/ Charles E. Bradley, Jr.

Charles E. Bradley, Jr.
President and Chief Executive Officer

By: /s/ Jeffrey P. Fritz

Jeffrey P. Fritz
Senior Vice President and Chief Financial Officer

AGREED TO AND ACCEPTED BY:

LEVINE LEICHTMAN CAPITAL PARTNERS, INC., a California corporation

On behalf of LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P., a California limited partnership

By: /s/ Lauren B. Leichtman

Lauren B. Leichtman
Chief Executive Officer

EXECUTION COPY

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE ASSIGNED EXCEPT IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION OR QUALIFICATION THEREFROM.

WARRANT NO. LL-2 November 17, 1998

PRIMARY WARRANT TO PURCHASE 3,450,000 SHARES OF COMMON STOCK OF CONSUMER PORTFOLIO SERVICES, INC.

FOR VALUE RECEIVED, Consumer Portfolio Services, Inc., a California corporation (the "Company"), hereby certifies that Levine Leichtman Capital Partners II, L.P., a California limited partnership, or assigns (the "Holder"), is entitled to purchase, on the terms and subject to the conditions contained herein, 3,450,000 shares (the "Warrant Shares") of the Company's common stock, no par value per share ("Common Stock"), at the exercise price of $3.00 per Warrant Share (the "Warrant Purchase Price") at any time and from time to time during the Exercise Period (as such term is defined below), provided that the number of Warrant Shares that may be exercised hereunder may be restricted pursuant to SECTION 2.5. The number of Warrant Shares and the Warrant Purchase Price are subject to adjustment as set forth in SECTION 3.

This Warrant is subject to the following terms and conditions:

1. DEFINITIONS. For the purposes of this Warrant, (a) unless otherwise set forth herein, capitalized terms or matters of construction deemed or established in the Securities Purchase Agreement (as such term is defined herein) shall be applied herein as defined or established therein, and (b) the following additional capitalized terms shall have the respective meanings set forth below:

"COMMON STOCK" has the meaning set forth in the preamble of this Warrant.

"COMPANY" has the meaning set forth in the preamble of this Warrant.

"CONVERTIBLE SECURITIES" means any securities issued or issuable by the Company that are exercisable or exchangeable for, or convertible into, shares of Common Stock.

"CURRENT MARKET PRICE" per share of Common Stock means, as of any specified date on which the Common Stock is publicly traded, the average of the daily market prices of the Common Stock over the twenty (20) consecutive trading days immediately preceding (and not including) such date.

The 'daily market price' for each such trading day shall be (i) the closing sales price on such day on the principal stock exchange on which the Common Stock is then listed or admitted to trading or on Nasdaq, as applicable, (ii) if no sale takes place on such day on any such exchange or system, the average of the closing bid and asked prices, regular way, on such day for the Common Stock as officially quoted on any such exchange or system, (iii) if the Common Stock is not then listed or admitted to trading on any stock exchange or system, the last reported sale price, regular way, on such day for the Common Stock, or if no sale takes place on such day, the average of the closing bid and asked prices for the Common Stock on such day, as reported by Nasdaq or the National Quotation Bureau, (iv) if the Common Stock is not then listed or admitted to trading on any securities exchange and if no such reported sale price or bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reputable quotation service, or a newspaper of general circulation in the City of Los Angeles customarily published on each Business Day. If the daily market price cannot be determined for the twenty (20) consecutive trading days immediately preceding such date in the manner specified in the foregoing sentence, then the Common Stock shall not be deemed to be publicly traded as of such date.

"DESIGNATED OFFICE" has the meaning set forth in SECTION 2.1 of this Warrant.

"EFFECTIVE DATE" means November 17, 1998.

"EXERCISE PERIOD" means the period commencing on the Effective Date and ending on the Expiration Date.

"EXPIRATION DATE" means November 30, 2005.

"FAIR MARKET VALUE" per share of Common Stock as of any specified date means (i) if the Common Stock is publicly traded on such date, the Current Market Price per share, or (ii) if the Common Stock is not publicly traded (or deemed not to be publicly traded) on such date, the fair market value per share of Common Stock as determined in good faith by the Board of Directors of the Company and set forth in a written notice to the Holder, subject to the Holder's right to dispute such determination under SECTION 3.8(e); PROVIDED, HOWEVER, that with respect to the grant of Option Rights pursuant to the Option Pool, "FAIR MARKET VALUE" means the average of the high and low selling prices of a share of Common Stock as reported in The Wall Street Journal (or other readily available public source designated by the compensation committee of the Board of Directors) for the last trading day for which such prices are available prior to the applicable transaction date, and if the compensation committee of the Board of Directors or such other committee as is designated by the Board of Directors determines that there is no readily available source of information regarding transactions in the Common Stock, then "FAIR MARKET VALUE" shall mean the fair market value of a share of Common Stock as determined by the compensation committee of the Board of Directors or such other committee as is designated by the Board of Directors.

"HOLDER" has the meaning set forth in the preamble of this Warrant.

"NASDAQ" means the Nasdaq, Inc. National Market System or SmallCap Market, as the case may be, or any successor reporting system thereof.

"OPTION RIGHTS" means all warrants, rights or options to subscribe for or purchase, or obligations to issue, any shares of Common Stock, or any Convertible Securities.

"OTHER PROPERTY" has the meaning set forth in SECTION 3.5 of this Warrant.

"PERSON" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, limited liability partnership, institution, public benefit corporation, entity or government (whether federal, state, county, city, municipal or otherwise, including, without limitation, any instrumentality, political subdivision, agency, body or department thereof).

"SECURITIES ACT" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, all as the same shall be in effect at the time.

"SECURITIES PURCHASE AGREEMENT" means the Securities Purchase Agreement, dated as of the date hereof, by and between the Company and the initial Holder of this Warrant, and as it may be amended, supplemented or otherwise modified and in effect from time to time.

"WARRANT PURCHASE PRICE" has the meaning set forth in the preamble of this Warrant (as adjusted in accordance with the terms of this Warrant).

"WARRANT" means this Warrant, any amendment of this Warrant, and any warrants issued upon transfer, division or combination of, or in substitution for, this Warrant or any other such warrant. All such Warrants shall at all times be identical as to terms and conditions and date, except as to the number of Warrant Shares for which they may be exercised.

"WARRANT SHARES" has the meaning set forth in the preamble of this Warrant.

2. EXERCISE.

2.1 EXERCISE; DELIVERY OF CERTIFICATES. Subject to the provisions of SECTION 2.4 and SECTION 2.5, this Warrant may be exercised in whole or in part, at the option of the Holder, at any time and from time to time during the Exercise Period, by (a) delivering to the Company at its principal executive office (the "Designated Office") (i) a notice of exercise, in substantially the form attached hereto (the "Exercise Notice"), duly completed and signed by the Holder, and (ii) this Warrant, and (b) paying the Warrant Purchase Price pursuant to SECTION 2.2 for the number of Warrant Shares being purchased. Subject to the provisions of SECTION 2.4, the Warrant Shares being purchased under this Warrant will be deemed to have been issued to the Holder, as the record owner of such Warrant Shares, as of the close of business on the date on which payment

therefor is made by the Holder pursuant to SECTION 2.2. Stock certificates representing the Warrant Shares so purchased shall be delivered to the Holder within three (3) Business Days after this Warrant has been exercised (or, if applicable, after the conditions set forth in SECTION 2.4 have been satisfied); PROVIDED, HOWEVER, that in the case of a purchase of less than all of the Warrant Shares issuable upon exercise of this Warrant, the Company shall cancel this Warrant and, within three (3) Business Days after this Warrant has been surrendered, execute and deliver to the Holder a new Warrant of like tenor for the number of unexercised Warrant Shares. Each stock certificate representing the number of Warrant Shares purchased pursuant to this Warrant shall be registered in the name of the Holder or, subject to compliance with Applicable Laws, such other name as shall be designated by the Holder.

2.2 PAYMENT OF WARRANT PRICE. Payment of the Warrant Purchase Price may be made, at the option of the Holder, by (i) certified or official bank check, (ii) wire transfer, (iii) instructing the Company to withhold and cancel a number of Warrant Shares then issuable upon exercise of this Warrant with respect to which the excess of the Fair Market Value over the Warrant Purchase Price for such canceled Warrant Shares is at least equal to the Warrant Purchase Price for the shares being purchased, (iv) to the extent permitted under the agreements, instruments or other documents existing on the date hereof evidencing or governing Indebtedness of the Company, surrender to the Company of shares of Common Stock previously acquired by the Holder with a Fair Market Value equal to the Warrant Purchase Price for the shares being purchased or (v) any combination of the foregoing.

2.3 NO FRACTIONAL SHARES. The Company shall not be required to issue fractional shares of Common Stock upon the exercise of this Warrant. If any fraction of a share of Common Stock would, except for the provisions of this paragraph, be issuable on the exercise of this Warrant (or specified portion thereof), the Company shall pay to the Holder an amount in cash calculated by it to be equal to the then Fair Market Value per share of Common Stock multiplied by such fraction computed to the nearest whole cent.

2.4. ANTITRUST NOTIFICATION. If the Holder determines, in its sole judgment upon the advice of counsel, that an exercise of the Warrant pursuant to the terms hereof is subject to the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the Company and the Holder shall, prior to the payment of the Warrant Purchase Price, file with the United States Federal Trade Commission (the "FTC") and the United States Department of Justice (the "DOJ") the notification and report form, if any, required in connection with the exercise of the Warrant, and any supplemental information required in connection therewith, pursuant to the HSR Act. Any such notification, report form and supplemental information will be in substantial compliance with the requirements of the HSR Act. The Company and the Holder will furnish to each other such necessary information and such reasonable assistance as the other may reasonably request in connection with the preparation of any filing or submission which is necessary under the HSR Act. The Company and the Holder shall keep each other apprised of the status of any communications with, and any inquiries or requests for additional information from, the FTC or the DOJ, and shall respond promptly to any such inquiries or requests. The Company

and the Holder shall each bear fifty percent (50%) of the filing fees required to be paid by the Company and the Holder (or the "ultimate parent entity" of the Holder, if any) under the HSR Act and the Company and the Holder shall bear their own respective costs and expenses (including, without limitation, attorneys' fees) incurred by the Company and the Holder (or the "ultimate parent entity" of the Holder, if any) in connection with such filings. In the event that this SECTION 2.4 is applicable to any exercise of this Warrant, the purchase of the Warrant Shares subject to the Exercise Notice, and the payment of the Warrant Purchase Price, will be subject to the expiration or earlier termination of the waiting period under the HSR Act.

2.5 RESTRICTIONS ON EXERCISE; EXCESS WARRANT SHARES.

(a) This Warrant may be exercised at any time and from time to time during the Exercise Period, commencing on the Effective Date, with respect to all or any portion of the number of Warrant Shares purchasable hereunder (the "Base Warrant Shares") that equals or is less than 19.9% of the number of shares of Common Stock issued and outstanding as of the date hereof. This Warrant may also be exercised at any time during the Exercise Period, commencing on or after the Shareholder Approval Date (as such term is defined below) with respect to all or any portion of the number of Warrant Shares purchasable hereunder in excess of the Base Warrant Shares (the "Excess Warrant Shares").

(b) The Company hereby covenants and agrees that it will actively and diligently seek and solicit the affirmative vote or written consent of the shareholders of the Company (the "Shareholders") to, and shall recommend to the Shareholders, all in accordance with Applicable Laws (including, without limitation, the proxy rules promulgated under the Exchange Act), the approval by the Shareholders of the issuance by the Company of the Excess Warrant Shares upon exercise of this Warrant ("Excess Warrant Share Approval"). Without limiting the generality of the foregoing, the Company shall (i) call, give notice of and hold a meeting (whether regular or special) of Shareholders for the purpose of, among other things, voting upon the Excess Warrant Share Approval or (ii) solicit written consents with respect to the Excess Warrant Share Approval. The Company shall cause the Shareholders to act with respect to the Excess Warrant Share Approval as soon as practicable, but in any event not later than May 31, 1999 (the date upon which Excess Warrant Share Approval is obtained, if at all, is referred to herein as the "Shareholder Approval Date"). Notwithstanding any other provision of this Warrant, the Holder may not exercise this Warrant with respect to all or any portion of the Excess Warrant Shares unless and until the Company shall have obtained, if at all, Excess Warrant Share Approval.

(c) If, at any time prior to the Shareholder Approval Date, the Company engages in a transaction that is subject to the provisions of SECTION 3.5 or a majority of the outstanding shares of Common Stock is sold in one transaction or a series of related transactions (a "Transaction"), then the Company shall either (i) obtain the Excess Warrant Share Approval prior to or upon the consummation of such Transaction or (ii) pay to the Holder prior to or upon the consummation of such Transaction an amount in cash equal to the product of (A) the difference between the fair value of the consideration to be received for each share of Common Stock

pursuant to such Transaction the Warrant Purchase Price then in effect, MULTIPLIED BY (B) the number of Excess Warrant Shares.

(d) If the exercise or sale or other disposition of this Warrant or any Warrant Shares pursuant to or in connection with any Transaction would be subject to the provisions of Section 16(b) of the Exchange Act, then the Company shall pay to the Holder prior to or upon the consummation of such Transaction, in lieu of such exercise, sale or disposition and in satisfaction of this Warrant to the extent of the number of Warrant Shares set forth in clause (b) of this sentence, an amount in cash equal to the product of (a) the difference between the fair value of the consideration to be received for each share of Common Stock pursuant to such Transaction and the Warrant Purchase Price then in effect, multiplied by (b) the number of Warrant Shares, the sale or other disposition of which would then be subject to the provisions of Section 16(b) of the Exchange Act.

3. ADJUSTMENTS TO THE NUMBER OF WARRANT SHARES AND TO THE WARRANT PURCHASE PRICE. The number of Warrant Shares for which this Warrant is exercisable and the Warrant Purchase Price shall be subject to adjustment from time to time as set forth in this SECTION 3.

3.1 STOCK DIVIDENDS, SUBDIVISIONS AND COMBINATIONS. If at any time the Company:

(a) pays a dividend or other distribution on its Common Stock in shares of Common Stock or shares of any other class or series of Capital Stock,

(b) subdivides its outstanding shares of Common Stock into a larger number of shares of Common Stock, or

(c) combines its outstanding shares of Common Stock into a smaller number of shares of Common Stock,

then the number of Warrant Shares purchasable upon exercise of this Warrant immediately prior to the record date for such dividend or distribution or the effective date of such subdivision or combination shall be adjusted so that the Holder shall thereafter be entitled to receive upon exercise of this Warrant the kind and number of shares of Common Stock that the Holder would have owned or have been entitled to receive immediately after such record date or effective date had this Warrant been exercised immediately prior to such record date or effective date. Any adjustment made pursuant to this SECTION 3.1 shall become effective immediately after the effective date of such event, but be retroactive to the record date, if any, for such event.

Upon any adjustment of the number of Warrant Shares purchasable upon the exercise of this Warrant as herein provided, the Warrant Purchase Price per share shall be adjusted by multiplying the Warrant Purchase Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of Warrant Shares purchasable upon the exercise of this

Warrant immediately prior to such adjustment and the denominator of which shall be the number of Warrant Shares so purchasable immediately thereafter.

3.2 RIGHTS; OPTIONS; WARRANTS. If at any time the Company issues (without payment of any consideration) to all holders of outstanding Common Stock any rights, options or warrants to subscribe for or purchase shares of Common Stock or securities convertible into or exchangeable for Common Stock, then the Company shall also distribute such rights, options, warrants or securities to the Holder as if this Warrant had been exercised immediately prior to the record date for such issuance.

3.3 DISTRIBUTION OF ASSETS OR SECURITIES. If at any time the Company makes a distribution to all holders of outstanding Common Stock of any asset (other than cash) or security other than those referred to in SECTIONS 3.1, 3.2 OR 3.5, and other than in connection with the liquidation, dissolution or winding up of the Company, then and in each such case, the Warrant Purchase Price shall be adjusted to equal the number determined by multiplying the Warrant Purchase Price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction (which shall not be less than zero), the numerator of which shall be the Fair Market Value per share of the Common Stock on the date fixed for such determination less the then fair market value of the portion of the assets, or the Fair Market Value of the portion of the securities, as the case may be, so distributed applicable to one share of Common Stock, and the denominator of which shall be such Fair Market Value per share of Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution. Upon any adjustment in the Warrant Purchase Price as provided in the foregoing, the number of shares of Common Stock purchasable upon the exercise of this Warrant shall also be adjusted and shall be that number determined by multiplying the number of Warrant Shares issuable upon exercise immediately prior to such adjustment by a fraction, the numerator of which is the Warrant Purchase Price in effect immediately prior to such adjustment and the denominator of which is the Warrant Purchase Price as so adjusted.

3.4 ISSUANCE OF EQUITY SECURITIES AT LESS THAN FAIR MARKET VALUE. If at any time the Company sells or issues shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities representing the right to subscribe for or purchase shares of Common Stock (excluding (i) shares, rights, options, warrants or convertible or exchangeable securities issued in any of the transactions described in SECTIONS 3.1, 3.2, 3.3 OR 3.5, (ii) shares issued after the date hereof upon conversion, exercise or exchange of (A) rights, options, warrants or convertible or exchangeable securities outstanding on the date hereof, (B) rights, options, warrants or convertible or exchangeable securities issued after the date hereof for which an adjustment was made pursuant to this SECTION 3.4 or for which no adjustment is required under this SECTION 3.4, (iii) the issuance of this Warrant or any securities issued upon exercise hereof, and the issuance of Common Stock upon the exercise or conversion of Option Rights or Convertible Securities outstanding on the date this Warrant was first issued, (iv) shares of Common Stock issued pursuant

to a BONA FIDE public offering pursuant to an effective registration statement, or (v) the issuance of any warrant or warrants issued in connection with the agreement with FSA contemplated by SECTION 8.6 of the Securities Purchase Agreement, provided that the exercise price of such warrant or warrants is not less than $3.00 per share, and any shares of Common Stock issued or issuable upon the exercise of any such warrant or warrants) at a price per share of Common Stock (determined in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (x) the total amount receivable by the Company in consideration of the sale and issuance of such rights, options, warrants or convertible or exchangeable securities, plus the total consideration payable to the Company upon exercise, conversion or exchange thereof, by (y) the maximum number of shares of Common Stock issuable upon conversion, exercise or exchange of such rights, options, warrants or convertible or exchangeable securities), that is lower than the Fair Market Value per share of Common Stock in effect immediately prior to such sale and issuance, then the Warrant Purchase Price shall be adjusted (calculated to the nearest $.001) so that it shall equal the price determined by multiplying the Warrant Purchase Price in effect immediately prior thereto by a fraction, the numerator of which shall be an amount equal to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such sale and issuance plus (B) the number of shares of Common Stock which the aggregate consideration received by the Company (determined as provided below) for such sale or issuance would purchase at such Fair Market Value per share, and the denominator of which shall be the total number of shares of Common Stock outstanding (or deemed to be outstanding as provided below) immediately after such sale or issuance. Adjustments shall be made successively whenever such an issuance is made. The foregoing notwithstanding, if any such sale or issuance of shares Common Stock, rights, options, warrants or convertible or exchangeable securities is effected pursuant to the terms of a bona fide agreement, commitment or letter of intent which is entered into or made prior to the date of such issuance and which specifies the "price per share of Common Stock" (as such phrase is used in this Section 3.4) to be paid in such issuance, then the determination of whether or not the "price per share of Common Stock" in such issuance is "lower than the Fair Market Value per share of Common Stock" required by this SECTION 3.4 shall be made as of close of business on the date such agreement or letter of intent is entered into or such commitment is made and shall not be made "immediately prior to such sale and issuance" as provided above. (For example, if the Company enters into an agreement to sell shares of Common Stock in a private placement and the price per share of Common Stock to be paid pursuant to such agreement is equal to or greater than the Fair Market Value per share of Common Stock as of the close of business on the date on which such agreement is entered into, then no adjustment shall be required under this SECTION 3.4 even if such price is less than the Fair Market Value per share of Common Stock on the date such private placement is consummated.)

For the purposes of such adjustments, the shares of Common Stock which the holder of any such rights, options, warrants or convertible or exchangeable securities shall be entitled to subscribe for or purchase shall be deemed to be issued and outstanding as of the date of the sale and issuance of the rights, warrants or convertible or exchangeable securities and the consideration received by the Company therefor shall be deemed to be the consideration actually received by the Company for such rights, options, warrants or convertible or exchangeable securities, plus the

consideration or premiums stated in such rights, options, warrants or convertible or exchangeable securities to be paid to acquire the shares of Common Stock covered thereby.

Upon any adjustment in the Warrant Purchase Price as provided in the penultimate paragraph above, the number of shares of Common Stock purchasable upon the exercise of this Warrant shall also be adjusted and shall be that number determined by multiplying the number of Warrant Shares issuable upon exercise immediately prior to such adjustment by a fraction, the numerator of which is the Warrant Purchase Price in effect immediately prior to such adjustment and the denominator of which is the Warrant Purchase Price as so adjusted.

Upon the expiration of any rights, options, warrants or convertible or exchangeable securities for which an adjustment was made pursuant to this SECTION 3.4, such adjustment shall be recomputed on the basis of the actual number of shares of Common Stock sold or issued pursuant to such rights, options, warrants or convertible or exchangeable securities and the actual consideration received by the Company for such rights, options, warrants or convertible or exchangeable securities plus the actual consideration or premium received by the Company for such sale or issuance of Common Stock.

If at any time the Company sells and issues shares of Common Stock or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock for a consideration consisting, in whole or in part, of property other than cash or its equivalent, then in determining the "price per share of Common Stock" and the "consideration received by the Company" for purposes of the preceding paragraphs of this SECTION 3.4, the Board of Directors of the Company shall determine, in good faith, the fair market value of property, subject to the Holder's rights under SECTION 3.8(e). There shall be no adjustment of the Warrant Purchase Price in respect of the Common Stock pursuant to this SECTION 3.4 if the amount of such adjustment is less than $0.001 per share of Common Stock; PROVIDED, HOWEVER, that any adjustments which by reason of this provision are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

3.5 REORGANIZATION, RECLASSIFICATION, MERGER, CONSOLIDATION OR DISPOSITION OF ASSETS. If at any time the Company reorganizes its capital, reclassifies its capital stock, consolidates, merges or combines with or into another Person (where the Company is not the surviving corporation or where there is any change whatsoever in, or distribution with respect to, the outstanding Common Stock), or the Company sells, transfers or otherwise disposes of all or substantially all of its property, assets or business to another Person, other than in a transaction provided for in SECTION 3.1, 3.2, 3.3, 3.4 OR 3.6, and, pursuant to the terms of such reorganization, reclassification, consolidation, merger, combination, sale, transfer or other disposition of assets, (i) shares of common stock of the successor or acquiring Person or of the Company (if it is the surviving corporation) or (ii) any cash, shares of stock or other securities or property of any nature whatsoever (including warrants or other subscription or purchase rights) in addition to or in lieu of common stock of the successor or acquiring Person or the Company ("Other Property") are to be received by or distributed to the holders of Common Stock who are

holders immediately prior to such transaction, then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the number of shares of Common Stock, common stock of the successor or acquiring Person, and/or Other Property which holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event would have owned or received immediately after and as a result of such event. In such event, the aggregate Warrant Purchase Price otherwise payable for the Warrant Shares issuable upon exercise of this Warrant shall be allocated among such securities and Other Property in proportion to the respective fair market values of such securities and Other Property as determined in good faith by the Board of Directors of the Company, subject to the Holder's rights under SECTION 3.8(e).

In case of any such event, the successor or acquiring Person (if other than the Company) shall expressly assume the due and punctual observance and performance of each and every covenant and condition of this Warrant to be performed and observed by the Company and all the obligations and liabilities hereunder, subject to such modifications as the Holder may approve in writing (as determined by resolution of the Board of Directors of the Company) in order to provide for adjustments of any shares of common stock of such successor or acquiring Person for which this Warrant thus becomes exercisable, which modifications shall be as equivalent as practicable to the adjustments provided for in this SECTION 3.5. For purposes of this SECTION 3, "common stock of the successor or acquiring Person" shall include stock or other equity securities, or securities that are exercisable or exchangeable for or convertible into equity securities, of such corporation, or other securities if such Person is not a corporation, of any class that is not preferred as to dividends or assets over any other class of stock of such corporation or Person and that is not subject to redemption and shall also include any evidences of indebtedness, shares of stock or other securities that are convertible into or exchangeable for any such stock, either immediately or upon the arrival of a specified date or the happening of a specified event and any warrants or other rights to subscribe for or purchase any such stock. The foregoing provisions of this SECTION 3.5 shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales, transfers and other dispositions of assets.

3.6 DISSOLUTION, TOTAL LIQUIDATION OR WINDING-UP. If at any time there is a voluntary or involuntary dissolution, total liquidation or winding-up of the Company, other than as contemplated by SECTION 3.5, then the Company shall cause to be mailed (by registered or certified mail, return receipt requested, postage prepaid) to the Holder at the Holder's address as shown on the Warrant register, at the earliest practicable time (and, in any event, not less than thirty (30) calendar days before any date set for definitive action) written notice of the date on which such dissolution, liquidation or winding-up shall take place, as the case may be. Such notice shall also specify the date as of which the record holders of shares of Common Stock shall be entitled to exchange their shares for securities, money or other property deliverable upon such dissolution, liquidation or winding-up, as the case may be. On such date, the Holder shall be entitled to receive upon surrender of this Warrant the cash or other property, less the Warrant Purchase Price for this Warrant then in effect, that the Holder would have been entitled to receive had this Warrant been exercised immediately prior to such dissolution, liquidation or winding-up. Upon receipt of the cash or other property, any and all rights of the Holder to exercise this Warrant shall terminate

in their entirety. If the cash or other property distributable in the dissolution, liquidation or winding-up has a fair market value which is less than the Warrant Purchase Price for this Warrant then in effect, this Warrant shall terminate and be of no further force or effect upon the dissolution, liquidation or winding-up.

3.7 OTHER DILUTIVE EVENTS. If any event occurs as to which the other provisions of this SECTION 3 are not strictly applicable but as to which the failure to make any adjustment would not protect the purchase rights represented by this Warrant in accordance with the intent and principles hereof then, in each such case, the Holder (or if the Warrant has been divided up, the Holders of Warrants exercisable for the purchase of more than fifty percent (50%) of the aggregate number of Warrant Shares then issuable upon exercise of all of the then exercisable Warrants) may appoint an independent investment bank or firm of independent public accountants which shall give its opinion as to the adjustment, if any, on a basis consistent with the intent and principles established herein, necessary to preserve the purchase rights represented by this Warrant (or such Warrants). Upon receipt of such opinion, the Company will mail (by registered or certified mail, return receipt requested, postage prepaid) a copy thereof to the Holder within three (3) Business Days and shall make the adjustments described therein. The fees and expenses of such investment bank or independent public accountants shall be borne by the Company.

3.8 OTHER PROVISIONS APPLICABLE TO ADJUSTMENTS UNDER THIS SECTION. The following provisions shall be applicable to the adjustments provided for pursuant to this SECTION 3:

(a) WHEN ADJUSTMENTS TO BE MADE. The adjustments required by this SECTION 3 shall be made whenever and as often as any specified event requiring such an adjustment shall occur. For the purpose of any such adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

(b) RECORD DATE. If the Company fixes a record date of the holders of Common Stock for the purpose of entitling them to (i) receive a dividend or other distribution payable in shares of Common Stock or in shares of any other class or series of capital stock or securities convertible into or exchangeable for Common Stock or shares of any other class or series of capital stock or (ii) subscribe for or purchase shares of Common Stock or such other shares or securities, then all references in this SECTION 3 to the date of the issuance or sale of such shares of Common Stock or such other shares or securities shall be deemed to be references to that record date.

(c) WHEN ADJUSTMENT NOT REQUIRED. If the Company fixes a record date of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or purchase rights to which the provisions of SECTION 3.1 would apply, but shall, thereafter and before the distribution to stockholders, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights, then thereafter no adjustment shall be required by reason of the taking of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled.

(d) NOTICE OF ADJUSTMENTS. Whenever the number of shares of Common Stock for which this Warrant is exercisable or the Warrant Purchase Price shall be adjusted or recalculated pursuant to this SECTION 3, the Company shall immediately prepare a certificate to be executed by the chief financial officer of the Company setting forth, in reasonable detail, the event requiring the adjustment or recalculation and the method by which such adjustment or recalculation was calculated, specifying the number of shares of Common Stock for which this Warrant is exercisable and (if such adjustment was made pursuant to SECTION 3.5) describing the number and kind of any other shares of stock or Other Property for which this Warrant is exercisable, and any related change in the Warrant Purchase Price, after giving effect to such adjustment, recalculation or change. The Company shall mail (by registered or certified mail, return receipt requested, postage prepaid) a signed copy of the certificate to be delivered to the Holder within three (3) Business Days of the event which caused the adjustment or recalculation. The Company shall keep at the Designated Office copies of all such certificates and cause them to be available for inspection at the Designated Office during normal business hours by the Holder or any prospective transferee of this Warrant designated by the Holder.

(e) CHALLENGE TO GOOD FAITH DETERMINATION. Whenever the Board of Directors of the Company is required to make a determination in good faith of the fair market value of any item under this Warrant, or any item that may affect the value of this Warrant, that determination may be challenged in good faith by the Holder (or if the Warrant has been divided up, the Holders of Warrants exercisable for more than fifty percent (50%) of the aggregate number of Warrant Shares then issuable upon exercise of all of the then exercisable Warrants), and any dispute shall be resolved promptly, but in no event in more than thirty (30) days, by an investment banking firm of recognized national standing or one of the five (5) largest national accounting firms agreed upon by the Company and the Holders and whose decision shall be binding on the Company and the Holders. If the Company and the Holders cannot agree on a mutually acceptable investment bank or accounting firm, then the Holders, jointly, and the Company shall within five (5) Business Days each choose one investment bank or accounting firm and the respective chosen firms shall within five (5) Business Days jointly select a third investment bank or accounting firm, which shall make the determination promptly, but in no event in more than thirty (30) days, and such determination shall be binding upon all parties thereto. The Company shall bear all costs in connection with such determination, including without limitation, fees of the investment bank(s) or accounting firm(s).

(f) INDEPENDENT APPLICATION. Except as otherwise provided herein, all subsections of this SECTION 3 are intended to operate independently of one another (but without duplication). If an event occurs that requires the application of more than one subsection, all applicable subsections shall be given independent effect without duplication.

4. MISCELLANEOUS.

4.1 RESTRICTIVE LEGEND. This Warrant, any Warrant issued upon transfer of this Warrant and any Warrant Shares issued upon exercise of this Warrant or any portion thereof shall be

imprinted with the following legend, in addition to any legend required under applicable state securities laws:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE ASSIGNED EXCEPT IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION OR QUALIFICATION THEREFROM.

The legend shall be appropriately modified upon issuance of certificates for shares of Common Stock.

Upon request of the holder of a Common Stock certificate, the Company shall issue to that holder a new certificate free of the foregoing legend, if, with such request, such holder provides the Company with an opinion of counsel reasonably acceptable to the Company (provided that Riordan & McKinzie, a professional law corporation, shall be deemed to be acceptable to the Company) to the effect that the securities evidenced by such certificate may be sold without restriction under Rule 144 (or any other rule permitting resales of securities without restriction) promulgated under the Securities Act.

4.2 HOLDER ENTITLED TO BENEFITS UNDER OTHER AGREEMENTS. The Holder is entitled to certain benefits and privileges with respect to this Warrant and the Warrant Shares pursuant to the terms of the Securities Purchase Agreement.

4.3 OTHER COVENANTS. Without limiting the generality of SECTION 4.2, the Company covenants and agrees that, as long as the Warrant remains outstanding or any Warrant Shares are issuable with respect to this Warrant, the Company will perform all of the following covenants for the express benefit of the Holder: (a) the Warrant Shares shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable shares of Common Stock; (b) each Holder shall, upon the exercise thereof in accordance with the terms hereof, receive good and marketable title to the Warrant Shares, free and clear of all voting and other trust arrangements to which the Company is a party or by which it is bound, preemptive rights of any stockholder, liens, encumbrances, equities and claims whatsoever, including, but not limited to, all Taxes, Liens and other charges with respect to the issuance thereof; (c) at all times prior to the Expiration Date, the Company shall have reserved for issuance a sufficient number of authorized but unissued shares of Common Stock, or other securities or property for which this Warrant may then be exercisable, to permit this Warrant (or if this Warrant has been divided, all outstanding Warrants) to be exercised in full; (d) the Company shall deliver to each Holder the information and reports described in SECTION 8.2 of the Securities Purchase Agreement; (e) the Company shall extend to the initial Holder the management rights set forth in the Investor Rights Agreement; and (f) the Company shall provide each Holder with notice of all corporate actions in the same manner and to the same extent as the

shareholders of the Company; provided, however, that the Company shall not be obligated to perform the covenants in the foregoing clauses (d) and (e) of this SECTION 4.3 at any time that the sum of the Warrant Shares plus the number of shares of Common Stock held by the Holder is less than 345,000; provided, further, that notwithstanding the foregoing proviso the Company shall remain obligated to perform the covenants in the foregoing clauses (d) and (e) of this SECTION 4.3 if such performance is necessary in order to enable the Holder to satisfy the criteria then established for a "Venture Capital Operating Company" pursuant to ERISA.

4.4 ISSUE TAX. The issuance of shares of Common Stock upon the exercise of this Warrant shall be made without charge to the Holder for any issue tax in respect thereof.

4.5 CLOSING OF BOOKS. The Company will at no time close its transfer books against the transfer of this Warrant or of any Warrant Shares in any manner which interferes with the timely exercise hereof unless required by Applicable Laws.

4.6 NO VOTING RIGHTS; LIMITATION OF LIABILITY. Except as expressly set forth in this Warrant and in the Securities Purchase Agreement, nothing contained in this Warrant shall be construed as conferring upon the Holder (i) the right to vote or to consent as a stockholder in respect of meetings of stockholders for the election of directors of the Company or any other matter, (ii) the right to receive dividends except as set forth in SECTION 3; or (iii) any other rights as a stockholder of the Company except as set forth in SECTION 4.2 and SECTION 4.3 hereof and in the Investor Rights Agreement. No provisions hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the Warrant Purchase Price or as a shareholder of the Company, whether such liability is asserted by the Company or by its creditors.

4.7 MODIFICATION AND WAIVER. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement is sought.

4.8 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Warrant shall be in writing and shall be deemed to have been duly given if transmitted by telecopier with receipt acknowledged, or upon delivery, if delivered personally or by recognized commercial courier with receipt acknowledged, or upon the expiration of seventy-two (72) hours after mailing, if mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

(a) If to the Holder, at:

c/o Levine Leichtman Capital Partners, Inc.
335 North Maple Drive, Suite 240
Beverly Hills, CA 90210

Attention: Arthur E. Levine, President
Telephone: (310) 275-5335
Facsimile: (310) 275-1441

(b) If to any other Holder, at:

such Holder's address as shown on the books of the Company.

(c) If to the Company, at:

Consumer Portfolio Services, Inc.
16355 Laguna Canyon Road
Irvine, CA 92618
Attention: Charles E. Bradley, Jr., President
Telephone: (949) 753-6800
Facsimile: (949) 450-3951

or at such other address or addresses as the Holder or the Company, as the case may be, may specify by written notice given in accordance with this SECTION 4.8.

4.9 SUCCESSORS AND ASSIGNS. Subject to the requirements of Applicable Laws, the Holder may assign all or any portion of this Warrant at any time or from time to time without the consent of the Company. Each assignment of this Warrant, in whole or in part, shall be registered on the books of the Company to be maintained for such purpose, upon surrender of this Warrant at the Designated Office, together with appropriate instruments of assignment, duly filled in and executed. Upon such surrender and delivery, the Company shall, at its own expense, within three (3) Business Days execute and deliver a new Warrant or Warrants in the name of the assignee or assignees specified in such assignment and in the denominations specified therein and this Warrant shall promptly be canceled. If any portion of this Warrant is not being assigned, the Company shall, at its own expense, within three (3) Business Days issue to the Holder a new Warrant evidencing the portion not so assigned. This Warrant shall be binding upon and inure to the benefit of the Company, the Holder and their respective successors and permitted assigns, and shall include, with respect to the Company, any Person succeeding the Company by merger, consolidation, combination or acquisition of all or substantially all of the Company's assets, and in such case, except as expressly provided herein, all of the obligations of the Company hereunder shall survive such merger, consolidation, combination or acquisition.

4.10 DESCRIPTIVE HEADINGS. The descriptive headings of the paragraphs of this Warrant are for convenience of reference only and do not constitute a part of this Warrant and are not to be considered in construing or interpreting this Warrant. No party, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement, and all provisions of this Agreement shall be construed in accordance with their fair meaning, and not strictly for or against any party.

4.11 LOST WARRANT OR CERTIFICATES. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant or of a stock certificate evidencing Warrant Shares and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company or, in the case of any such mutilation, upon surrender and cancellation of the Warrant or stock certificate, the Company shall make and deliver to the Holder, within three (3) Business Days of receipt by the Company of such documentation, a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

4.12 TERMINATION OF THIS WARRANT. This Warrant shall terminate and shall no longer be exercisable after the Expiration Date.

4.13 NO IMPAIRMENT. The Company shall not by any action, including, without limitation, amending its charter documents or regulations or through any reorganization, reclassification, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value (if any) of any shares of Common Stock receivable upon the exercise of this Warrant above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, free and clear of all liens, encumbrances, equities and claims, and (iii) use its best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

4.14 GOVERNING LAW. In all respects, including all matters of construction, validity and performance, this Warrant and the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in California, without regard to principles thereof regarding conflicts of laws.

4.15 REMEDIES. If the Company fails to perform, comply with or observe any covenant or agreement to be performed, complied with or observed by it under this Warrant, the Holder may proceed to protect and enforce its rights by suit in equity or action at law, whether for specific performance of any term contained in this Warrant or for an injunction against the breach of any such term or in aid of the exercise of any power granted in this Warrant or to enforce any other legal or equitable right, or to take any one or more of such actions. The Company agrees to pay all fees, costs, and expenses, including, without limitation, fees and expenses of attorneys, accountants and other experts retained by the Holder, and all fees, costs and expenses of appeals, incurred or expended by the Holder in connection with the enforcement of this Warrant or the

collection of any sums due hereunder, whether or not suit is commenced. None of the rights, powers or remedies conferred under this Warrant shall be mutually exclusive, and each right, power or remedy shall be cumulative and in addition to any other right, power or remedy whether conferred by this Warrant or now or hereafter available at law, in equity, by statute or otherwise.

4.16 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE COMPANY AND THE HOLDER WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE COMPANY AND THE HOLDER DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, AND UNDERSTANDING THEY ARE WAIVING A CONSTITUTIONAL RIGHT, THE COMPANY AND THE HOLDER (BY ACCEPTANCE HEREOF) WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO, THIS WARRANT, THE SECURITIES PURCHASE AGREEMENT AND/OR ANY RELATED AGREEMENT OR THE TRANSACTIONS COMPLETED HEREBY OR THEREBY.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed and issued by its duly authorized representatives on the date first above written.

CONSUMER PORTFOLIO SERVICES, INC.,
a California corporation

By: /S/ CHARLES E. BRADLEY, JR.

Charles E. Bradley, Jr.,
President and Chief Executive Officer

By: /S/ JEFFREY P. FRITZ

Jeffrey P. Fritz
Senior Vice President and Chief
Financial Officer

FORM OF EXERCISE SUBSCRIPTION

(To be signed only upon exercise of this Warrant)

The undersigned hereby irrevocably elects to exercise its Warrant to purchase _____ (_____) shares of Common Stock for an aggregate Warrant Purchase Price of_____ Dollars ($_____). [If the Holder has determined upon advice of counsel that compliance with the HSR Act is required, include the following sentences: "The undersigned has determined that this exercise is subject to the HSR Act and requests that the Company file the requisite notification and report form with, and pay fifty percent (50%) of the requisite fee to, the FTC and the DOJ as promptly as possible. The purchase of the shares described above and the payment of the Warrant Purchase Price are subject to the expiration or earlier termination of the waiting period under the HSR Act."] The Warrant Purchase Price to be paid as follows (check as applicable):

___ Certified or official bank check in the amount of $_____;
___ Wire transfer in the amount of $_____;
___ Cancellation of _____ Warrant Shares; or
___ Surrender of _____ shares of Common Stock.

The undersigned hereby requests that [if the Holder has determined upon advice of counsel that compliance with the HSR Act is required, include the following phrase: "upon the expiration or earlier termination of the waiting period under the HSR Act"] a certificate(s) for the shares of Common Stock be issued in the name of_____, and delivered to, _____, whose address is _____.

The undersigned represents that it is acquiring such shares of Common Stock for its own account for investment purposes only and not with a view to or for sale in connection with any distribution thereof, and, as to the undersigned, the representations and warranties of the Purchaser set forth in SECTION 4 of the Securities Purchase Agreement are true and correct on the date hereof as if made by the undersigned on this date.

Dated:

Name of the Holder (must conform precisely to the name specified on the face of the Warrant)

Signature of authorized representative of the Holder

Print or type name of authorized representative

Social Security Number or Employer:
Tax Identification Number of the Holder:

Address of the Holder:

INVESTOR RIGHTS AGREEMENT

THIS INVESTOR RIGHTS AGREEMENT (this "AGREEMENT") is entered into as of November 17, 1998 is entered into by and among Consumer Portfolio Services, Inc., a California corporation (the "COMPANY"), Charles E. Bradley, Sr., an individual ("C. E. BRADLEY, SR."), Charles E. Bradley, Jr., an individual ("C.E. BRADLEY, JR." and, together with C.E. Bradley, Sr., the "Bradleys"), Jeffrey P. Fritz, an individual ("MR. FRITZ" and, together with the Bradleys, the "SENIOR OFFICERS"), and Levine Leichtman Capital Partners II, L.P., a California limited partnership ("LLCP").

RECITALS

A. Pursuant to that certain Bridge Loan Agreement dated as of November 2, 1998 between LLCP and the Company, the Company issued to LLCP a warrant to purchase 345,000 shares of Common Stock for a purchase price of $3.00 per share (the "BRIDGE WARRANT").

B. LLCP and the Company are parties to that certain Securities Purchase Agreement of even date herewith (the "PURCHASE AGREEMENT") pursuant to which the Company has agreed to issue to LLCP, and LLCP has agreed to purchase from the Company, (i) a promissory note in the principal amount of $25,000,000 (the "NOTE") and (ii) a warrant to purchase 3,105,000 shares of Common Stock for a purchase price of $3.00 per share. (Pursuant to the terms of the Purchase Agreement, in lieu of issuing a warrant evidencing such right to purchase 3,105,000 shares of Common Stock, the Company will issue, against delivery of the Bridge Warrant for cancellation, a single warrant to purchase 3,450,000 shares of Common Stock (the "WARRANT") to evidence both the right to purchase 345,000 shares of Common Stock originally evidenced by the Bridge Warrant and such right to purchase 3,105,000 shares of Common Stock.) The shares of Common Stock issued or issuable upon exercise of the Warrant are referred to herein as the "Warrant Shares" and the holder of the Warrant or any portion thereof shall be deemed to be the holder of the Warrant Shares issuable upon the exercise thereof.) Capitalized terms not defined herein shall have the meanings given to such terms in the Purchase Agreement.

C. The execution of this Agreement by the Company and the Senior Officers is a condition precedent to the obligation of LLCP to consummate the transactions contemplated by the Purchase Agreement.

D. In consideration of the substantial direct and indirect benefits which the Company and the Senior Officers will realize from the consummation of the transactions contemplated by the Purchase Agreement, the Company and the Senior Officers desire to enter into this Agreement and to be bound by the terms and conditions hereof.

AGREEMENT

In consideration of the mutual covenants and agreements set forth herein, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. MANAGEMENT RIGHTS.

1.1 ELECTION TO BOARD. The Company has taken all action required to cause Arthur E. Levine, as a representative of LLCP, to be elected to the Board of Directors (the "BOARD") of the Company effective as of the close of business on the date hereof. At each future election of members to the Board, the Company shall nominate a person designated by LLCP (an "LLCP REPRESENTATIVE") for election as a Director at each annual meeting of shareholders and shall otherwise use its best efforts to cause an LLCP Representative to be elected to and remain as a member of the Board. In furtherance of the foregoing, each of C.E. Bradley, Sr. and C.E. Bradley, Jr. shall vote all shares of Common Stock as to which he has the right to vote and shall, to the extent he has the power to do so, cause each of his respective affiliates to vote, all shares of Common Stock as to which such affiliate has the right to vote, for the election of the LLCP Representative at each election of Directors; provided, however, that it shall not constitute a violation of this covenant to the extent that a pledgee of any such shares of Common Stock acquires the right to vote such shares pursuant to the terms of any pledge agreement under which such shares have been pledged by C.E. Bradley, Sr., C.E. Bradley, Jr. or any of their respective affiliates, as the case may be. In the event of the death or resignation of the LLCP Representative at any time, or in the event the LLCP Representative shall not be elected to the Board at any election of directors for any reason, the Company shall, upon request of LLCP, promptly (and in any event within five (5) days of such request), take such steps as may be necessary, including increasing the size of the Board and filling the resulting vacancy with an LLCP Representative, as may be necessary to cause an LLCP Representative to become a member of the Board. To the extent that the Board delegates any of its duties to an executive committee or other similar committee, the LLCP Representative shall, upon request, be elected to such committee. The agreement to vote provided in this Section 1.1 is intended to constitute an enforceable voting agreement within the scope of Section 706 of the General Corporation Law of the State of California.

1.2 OBSERVATION RIGHTS. If at any time, no LLCP Representative is serving on the Board for any reason, LLCP shall receive notice of and be entitled to have one (1) representative and one advisor to such representative (or, at LLCP's election, two (2) representatives) attend as observers at all meetings of the Board and of all committees thereof and at all meetings of the shareholders of the Company. Notice of such meetings shall be given to LLCP in the same manner and at the same time as to the members of the Board or such committees (which shall not be less than 48 hours prior to such meeting unless otherwise agreed to by LLCP) and at the same time as to the shareholders of the Company, as the case may be. LLCP shall be provided with copies of (i) a meeting agenda, if any is prepared, (ii) all information which is provided to the

members of the Board or such committees or to the shareholders of the Company (whether prior to, at, or subsequent to any such meetings), as the case may be, at the same time as such materials are provided to the members of the Board or such committee or to the shareholders of the Company, as the case may be, and (iii) copies of the minutes of all meetings of the Board and such committees and of all meetings of shareholders concurrently with the distribution of such minutes to one or more members of the Board or such committees or shareholders, as the case may be, but in no event later than forty-five (45) days after each such meeting.

1.3 OPERATING COMMITTEE. The Company shall establish an operating committee (the "OPERATING COMMITTEE") to, among other things, (i) review the annual operating and capital budget of the Company and its subsidiaries; (ii) compare budgeted versus actual performance; (iii) analyze working capital management; and (iv) review the cash flow performance of the Company and its subsidiaries. The Operating Committee shall also consider such additional financial matters as the Operating Committee shall deem advisable. The Operating Committee shall not constitute a committee designated by the Board pursuant to the Company's Bylaws or Section 311 of the California Corporations Code, and shall not have any authority to act in the name of or on behalf of the Company or any subsidiary, but the Operating Committee shall have the right to make suggestions and to recommend actions to the Board or to the Board of Directors of any subsidiary of the Company or to any committee of any such Board of Directors, either in writing or by attending, through a representative, a meeting of such Board of Directors or such committee. The Operating Committee shall at all times be comprised of at least two (2) members of senior management of the Company, who initially shall be C.E. Bradley, Jr. and Mr. Fritz, and two (2) members designated by LLCP. The financial officers of the Company and other members of senior management shall be available at each meeting of the Operating Committee to review financial information and discuss other matters. Regular meetings of the Operating Committee shall take place on or about the fourth Wednesday of each month (or the next succeeding Business Day, if the fourth Wednesday is not a Business Day). The foregoing notwithstanding, the first meeting of the Operating Committee shall be held on Monday, December 14, 1998. Meetings may be conducted by telephone so long as each of the persons attending can hear each of the other persons attending the meeting. The Company's financial officers shall prepare a financial package for delivery to all Operating Committee members at least forty-eight (48) hours prior to each regularly scheduled monthly meeting. The financial package shall include, among other things, (i) a consolidated and consolidating balance sheet, statement of operations and statement of cash flows for the Company and its consolidated subsidiaries for the most recent one-month period and for the year-to-date period, (ii) a comparison of the actual results of operations for such periods to the same periods in the prior year and to the budget and forecast, (iii) an explanation of any variances in such actual results of operations from such budget and forecast, and (iv) such other information as any member of the Operating Committee may from time to time request.

1.4 COMPENSATION. For services rendered under this Section 1, the Company shall pay to LLCP an annual consulting fee of $275,000, payable in monthly installments of $22,917 each, which shall be paid in advance by wire transfer to: Bank of America, Century City, Private Banking, 2049 Century Park East, Los Angeles, California 90067, ABA No. Bank of America, Century City,

Private Banking, 2049 Century Park East, Los Angeles, California 90067, ABA No. 121000358, Account No. 11546-03239, Attention: Cheryl Stewart (or such other account as LLCP shall designate in writing) on the first business day of each month, commencing December 1, 1998, with the final payment hereunder to be made on November 1, 1999. In no event shall LLCP be obligated to refund any portion of the consulting fee paid to it for any reason.

1.5 TERMINATION OF RIGHTS UNDER SECTION 1.1, 1.2 AND 1.3. LLCP's rights under Sections 1.1, 1.2 and 1.3 shall continue so long as either of the following two conditions is satisfied: (i) LLCP continues to hold, directly or indirectly, at least $2,500,000 in principal amount of the Note; or (ii) LLCP continues to hold (or is deemed to hold), directly or indirectly, at least 345,000 Warrant Shares. LLCP's rights under Sections 1.1, 1.2 and 1.3 shall terminate when neither of the foregoing two conditions is satisfied; provided, however, that even if neither of such conditions is satisfied, LLCP's rights under Sections 1.1, 1.2 and 1.3 shall continue to the extent LLCP holds any portion of the Note or any Warrant Shares if LLCP informs the Company in writing that it believes in good faith that it is required to retain such rights to qualify as a "venture capital operating company" for purposes of complying with the requirements of the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder.

1.6 INDEMNIFICATION AND INSURANCE. The Company shall, to the maximum extent permitted by law, indemnify and hold the LLCP Representative, each LLCP representative on the Operating Committee, LLCP and LLCP's employees, general and limited partners, principals, agents, attorneys, accountants, representatives and affiliates (collectively, the "LLCP PARTIES") harmless from all costs, expenses, liabilities, claims, damages and losses, including without limitation, attorneys' fees and the cost of any investigation and preparation incurred in connection therewith (collectively, "LIABILITIES AND COSTS") arising out of or in any way related to the fact that any LLCP Party is or was a director or other agent of the Company or any subsidiary of the Company, served on the Operating Committee or, while a director or other agent, is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise. Upon request by any LLCP Party, the Company shall advance (within 10 business days of such request) any and all expenses, including without limitation, any and all attorneys' fees and the cost of any investigation and preparation incurred in connection with any matter for which such LLCP Party is or may be entitled to indemnification hereunder; provided, that, if and to the extent that a court of competent jurisdiction finally determines that such LLCP Party is not permitted to be indemnified with respect to such matter under applicable law, the Company shall be entitled to be reimbursement of any expenses so advanced. The Company shall also indemnify each LLCP Party from and against any and all Liabilities and Costs incurred in connection with any claim or action brought to enforce such LLCP Party's rights under this SECTION 1.5, or under applicable law or the Company's Articles of Incorporation or Bylaws now or hereafter in effect relating to indemnification, or for recovery under directors' and officers' liability insurance policies maintained by the Company, regardless of whether such LLCP Party is ultimately determined to be entitled to such indemnification or insurance recovery, as the case may be. If for any reason

the foregoing indemnification is not available for any reason or is not sufficient to indemnify and hold the LLCP Parties harmless from all such Liabilities and Costs, then the Company shall contribute to the amount of all such Liabilities and Costs paid or payable by any LLCP Party in such proportion as is appropriate to reflect not only the relative benefits received by the Company, on the one hand, and LLCP, on the other hand, but also the relative fault of each, as well as any other equitable considerations. The Company's reimbursement, indemnity and contribution obligations shall be in addition to any liability the Company may otherwise have at law or under any other agreement, including without limitation, the Purchase Agreement, and such obligations shall extend, upon the same terms, to all LLCP Parties. This SECTION 1.5 shall survive indefinitely the termination of this Agreement. At any time that an LLCP Representative is serving on the Board, the Company shall maintain in force and effect one or more insurance policies providing at least $10,000,000 in insurance coverage for director liability, including coverage for claims under federal and state securities laws. The Company shall procure within 30 days of the date hereof, and shall thereafter maintain in effect, one or more insurance policies providing at least $10,000,000 in insurance coverage for director liability, including coverage for claims under federal and state securities laws.

2. TAG ALONG RIGHTS.

2.1 TAG ALONG RIGHT. Subject to the provisions of SECTION 2.8, in the event that C.E. Bradley, Jr. or any affiliated person or entity controlled by him (a "SELLING HOLDER") receives a bona fide offer from any person or entity (the "BUYER") to purchase any shares of Common Stock from such Selling Holder and such Selling Holder desires to sell or otherwise transfer any such shares of Common Stock pursuant to such bona fide offer, then LLCP shall be given an opportunity to sell or otherwise transfer to the Buyer LLCP's Pro Rata Share (determined in accordance with SECTION 2.2 below) of any shares of Common Stock which the Buyer agrees to purchase (including, for purposes of this Agreement, Warrant Shares) held or beneficially owned by LLCP as provided in this Agreement (the "TAG ALONG RIGHTS").

2.2 TAR OFFER. At least 15 days prior to the consummation of any sale or other transfer by a Selling Holder of any shares of Common Stock, the Selling Holder shall cause the bona fide offer from the Buyer to purchase or otherwise acquire such Selling Holder's shares to be reduced to writing (the "TAR OFFER") and shall deliver written notice of the TAR Offer, together with a true copy of the TAR Offer (the "TAR NOTICE"), to LLCP (a "TAR SALE"). Each TAR Offer shall require the Buyer to offer to purchase or otherwise acquire from LLCP, at the same time, at the same price and on the same terms as apply to the sale or other disposition by the Selling Holder to the Buyer and according to the terms and subject to the conditions of this Agreement, not less than the number of Warrant Shares held by LLCP as shall be equal to the product of (i) the total number of shares of Common Stock which the Buyer desires to purchase or otherwise acquire, multiplied by (ii) a fraction, the numerator of which is the total number of shares of Warrant Shares held by LLCP (collectively, the "LLCP SHARES") on the date of the TAR Notice and the denominator of which is the total number of shares of Common Stock held on such date by the Selling Holder plus the number of LLCP Shares. Pursuant to SECTION 2.4, the Selling

Holder may then sell to the Buyer the number of shares of Common Stock remaining after the shares of Common Stock to be sold by LLCP are subtracted from the total number of shares of Common Stock which the Buyer desires to purchase or otherwise acquire. For example, if a Buyer offers to purchase 100,000 shares of Common Stock from C. E. Bradley, Jr., and he desires to accept such offer, then the aggregate number of Shares which LLCP shall be entitled to sell to the Buyer upon the exercise of the Tag Along Rights shall be equal to 100,000 multiplied by the number of LLCP Shares divided by the sum of the number of LLCP Shares plus the number of shares of Common Stock held by C.E. Bradley, Jr. In no event shall LLCP be required to make any representation or warranty in connection with the sale to any Buyer other than as to organization and authority of LLCP, title to the shares of Common Stock to be sold by LLCP, and the absence of conflict with laws or material agreements of LLCP.

2.3 ACCEPTANCE NOTICE. If LLCP desires to accept the TAR Offer with respect to any shares of Common Stock held by LLCP or issuable upon exercise of the Warrant, LLCP shall deliver to the Selling Holder within fifteen (15) days after receipt of the TAR Notice by LLCP, a written notice stating such acceptance of the TAR Offer and setting forth the number of shares of Common Stock that LLCP desires to sell to the Buyer (the "ACCEPTANCE NOTICE"). If LLCP does not deliver an Acceptance Notice to the Selling Holder in accordance with the provisions of this SECTION 2.3, LLCP shall be deemed to have rejected the TAR Offer. The timely delivery of the Acceptance Notice shall constitute LLCP's agreement to sell to the Buyer the lesser of (i) the number of shares of Common Stock which LLCP is entitled to sell to the Buyer pursuant to this SECTION 2 and (ii) the number of shares of Common Stock which LLCP desires to sell to the Buyer as set forth in the Acceptance Notice. The Acceptance Notice shall also include (i) a written undertaking of LLCP to deliver, at least two business days prior to the expected date of the consummation of such sale or other disposition to the Buyer as indicated in the TAR Notice, such documents (including stock assignments and stock certificates, if any) as shall be reasonably required to transfer the shares of Common Stock to be sold by LLCP to the Buyer pursuant to the TAR Offer and (ii) a limited power-of-attorney authorizing the Selling Holder to transfer such shares to the Buyer pursuant to the terms of the TAR Offer

2.4 CONSUMMATION. If there is a decrease in the price to be paid by the Buyer for the shares to be purchased from the price set forth in the TAR Offer, which decrease is acceptable to the Selling Holder, or any other material change in terms which are less favorable to the Selling Holder but which are acceptable to the Selling Holder, the Selling Holder shall immediately, but in any event within two (2) business days, notify LLCP of such decrease or other change, and LLCP shall have five (5) business days from the date of receipt of the notice of such decrease to modify the number of shares of Common Stock it will sell to the Buyer, as previously indicated in the applicable Acceptance Notice, or decline the TAR Offer. If the Selling Holder does not complete any proposed sale or other transfer for any reason, the Selling Holder shall immediately return to LLCP all documents (including stock assignments and stock certificates, if any) and powers-of-attorney which LLCP delivered to the Selling Holder pursuant to this SECTION 2 or otherwise in connection with such sale or other transfer.

2.5 CLOSING. The delivery of the stock certificate by the Selling Holder and LLCP to the Buyer in consummation of the sale of shares of Common Stock pursuant to the terms and conditions specified in the TAR Offer, and the payment by the Buyer to the Selling Holder and LLCP in immediately available funds of that portion of the sale proceeds to which the Selling Holder and LLCP are respectively entitled by reason of their participation in such sale shall occur simultaneously at a closing at the principal office of the Company, or such place as the Buyer and the selling parties may agree, at a time and at a date mutually agreeable to the Buyer and the selling parties.

2.6 SUBSEQUENT OFFERING. The exercise or nonexercise of the Tag Along Rights by LLCP with respect to any sale or transfer shall not affect adversely the right of LLCP to exercise the Tag Along Rights with respect to any subsequent sale or transfer.

2.7 PROHIBITED SALE. In the event of any purported sale of shares of Common Stock by C.E. Bradley, Jr. or any affiliated person or entity controlled by him in contravention of this SECTION 2 (a "PROHIBITED TRANSFER"), LLCP shall have the right to (i) require that the Company, or the Company's transfer agent, not enter such transfer on the books and records of the Company or (ii) sell to the Selling Holder the number of shares of Common Stock equal to the number of shares of Common Stock that LLCP could have sold in connection with the sale by the Selling Holder on the following terms and conditions:

(a) The price per share which such shares are to be sold to such Selling Holder shall be equal to the price per share paid to such Selling Holder by the Buyer of such Selling Holder's shares of Common Stock;

(b) LLCP shall deliver to such Selling Holder within not more than ten (10) business days after receiving notice from such Selling Holder of the Prohibited Transfer, the certificate or certificates representing the shares of Common Stock to be sold, each certificate being properly endorsed for transfer; and

(c) Such Selling Holder, upon receipt of the share certificates delivered pursuant to SECTION 2.7(b) above, shall within one (1) business day pay in cash (regardless of the form of consideration paid to such Selling Holder by the Buyer) the purchase price therefor, by wire transfer to such account as directed by LLCP or such other means of payment as is directed by LLCP, and shall reimburse LLCP for any additional expenses, including legal fees and expenses, incurred in effecting such purchase and resale.

2.8 PERMITTED TRANSFERS. Notwithstanding the foregoing, the following transactions shall not be subject to the provisions of this SECTION 2: (i) sales in a public offering registered under the Securities Act of 1933, as amended (the "ACT"); (ii) sales pursuant to Rule 144 or any similar successor rule promulgated under the Act; (iii) sales of shares of Common Stock which do not constitute "restricted securities" as such term is defined in Rule 144(a)(3) to the extent C.E. Bradley, Jr. is not an affiliate of the Company at the time of such sale; (iv) sales effected pursuant to a margin call by a broker holding shares of Common Stock as collateral for a margin account; (v) the pledge of shares pursuant to the terms of a bona fide pledge agreement to secure obligations of C.E. Bradley, Jr., provided that no more than 600,000 shares are subject to pledge at any time (which number shall be reduced by the number of shares sold as permitted by the following clause (vi)); (vi) sales effected by a bona fide pledgee pursuant to the terms of a pledge agreement permitted under the foregoing clause (v); (vii) sales by the estate of the holder to a spouse or other family member ("FAMILY MEMBER") within one year of the holder's death; (viii) transfers to a trust for the benefit of a Family Member of the transferor, or to an executor, administrator or other personal representative pending distribution to such Family Member or trust; or (ix) by INTER VIVOS transfer to a Family Member of the transferor or to a trust primarily for the transferor's benefit or the benefit of a Family Member of a transferor; provided, however, that the transferee in each of the foregoing clauses (vii), (viii) and (ix) shall be bound by the provisions of this Agreement with respect to such transferred shares and shall, upon request, execute and deliver to LLCP and the Company an instrument, in form and substance reasonably acceptable to LLCP, agreeing to be bound by the provisions of this Agreement with respect to any future transfer.

2.9 TERMINATION OF TAG-ALONG-RIGHTS. The Tag-Along-Rights provided for in this Section 2 shall terminate (i) in their entirety at such time as the number of Warrant Shares directly or indirectly held by LLCP is less than two percent (2%) of the number of shares of Common Stock then outstanding and (ii) shall terminate as to sales or other transfers by C.E. Bradley, Jr. at such time as he shall hold less than ten percent (10%) of the number of shares of Common Stock held on the date of this Agreement (including all shares of Common Stock issuable upon the conversion or exercise of all securities held on the date of this Agreement which can be converted into or exercised for shares of Common Stock).

2.10 REPRESENTATION, WARRANTY AND COVENANT OF C.E. BRADLEY, JR. C.E. Bradley, Jr. shall give LLCP written notice within two (2) days in the event that he acquires, directly or indirectly, any additional shares of Common Stock, which shares shall, upon such acquisition, be legended as required by Section 5.1 (to the extent required to be so legended pursuant to Section 5.1) and shall immediately become subject to the terms and provisions of this Section 2.

3. RIGHTS UPON ISSUANCE OF ADDITIONAL SECURITIES.

3.1 RIGHT TO PURCHASE. The Company shall not issue any Common Stock or warrants, rights or options to subscribe for or purchase, or obligations to issue, or other securities exercisable or exchangeable for or convertible into any shares of Common Stock of the Company

("OPTION RIGHTS") without first offering in writing to LLCP the right to purchase at the same price applicable to such issuance (which offer must remain open for a period of at least thirty (30) days) an amount of such newly-issued equity securities equal to LLCP's pro rata share of the newly-issued equity securities such that, if LLCP exercised its right to first refusal in full, its pro rata share would not have changed from its Pro Rata Share (as defined below) prior to such issuance.

3.2 EXCEPTIONS. Section 3.1 shall not apply to (i) the issuance of any equity security by the Company pursuant to a public offering registered under the Act, provided such security is listed at the time of issuance on a recognized national securities exchange or on the NASDAQ National Market, (ii) the issuance of Common Stock upon the exercise or conversion of the Warrant or of any Option Rights (A) which are outstanding as of the date of this Agreement or (B) which are issued after the date of this Agreement in compliance with the provisions of this Section 3, (iii) the issuance of that certain Convertible Subordinated 12.5% Note dated the date hereof in the principal amount of $4,000,000 issued by the Company to SFSC and of that certain Convertible Subordinated 12.5% Note dated the date hereof in the principal amount of $1,000,000 issued by the Company to John G. Poole, and, in each case, the issuance of any securities issued upon the conversion thereof, (iv) the issuance of any Option Rights granted pursuant to the Option Pool (as defined below) or the issuance of Common Stock issued upon the exercise of any such Option Rights or (v) the issuance of any warrant or warrants issued in connection with the agreement with Financial Security Assurance Inc. contemplated by Section 8.6 of the Purchase Agreement, provided the exercise of such warrant or warrants is greater than $3.00 per share, and any shares of Common Stock issued or issuable upon the exercise of any such warrant or warrants.

3.3 DEFINITIONS. As used in this Section, the following terms shall have the meanings indicated:

(a) "PRO RATA SHARE" as of a specified date shall mean the percentage equal to the fraction, the numerator of which is the number of shares of Common Stock held by LLCP or issuable upon the exercise of Option Rights held by LLCP as of such date and the denominator of which is the sum of (i) the number of shares of Common Stock outstanding as of such date, plus (ii) the number of shares of Common Stock issuable upon the exercise of Option Rights outstanding as of such date (but only to the extent such Option Rights are exercisable as of such date).

(b) Option Rights granted pursuant to the "OPTION POOL" shall mean any Option Rights to purchase shares of Common Stock granted by the Company, whether before or after the date of this Agreement, to directors, officers and key employees of the Company or of any affiliate of the Company under a plan adopted or to be adopted by the Board or the shareholders of the Company, including, without limitation, the Company's 1991 Stock Option Plan, as amended, and the Company's 1997 Long-Term Incentive Stock Plan, at an exercise price per share that is not less than the fair market value of the shares of Common Stock as of the date of grant, as determined by the Board in good faith and approved (i) in the case of a grant to any officer (other than a senior executive officer) or employee of the Company who is not a member of the Board,

by a majority vote of the Board, and (ii) in the case of any grant to a senior executive officer or member of the Board, by the unanimous vote of the members of the Board who are not being granted or receiving such Option Rights, unless such grant (and the number of shares of Common Stock issuable upon exercise thereof) is consistent with past grants by the Company to such member, in which case by a majority vote of the Board.

3.4 TERMINATION. This SECTION 3 shall terminate on the earlier to occur of (i) the seventh anniversary date of this Agreement and (ii) the date upon which the number of Warrant Shares directly or indirectly held by LLCP is less than five percent (5.0%) of the number of shares of Common Stock outstanding at any time.

4. COVENANTS OF THE SENIOR OFFICERS.

4.1 PROTECTION AND USE OF CONFIDENTIAL INFORMATION. Each Senior Officer severally acknowledges and agrees that, in the course of the performance of his duties for the Company he has come into the possession of and will continue to come into possession of confidential information which is valuable to the Company by virtue of the fact that such information is not generally known to the public or to the Company's competitors ("CONFIDENTIAL INFORMATION"). The Confidential Information includes, but is not limited to, trade secrets, business records, vendor lists, dealer lists, information concerning financing sources, information concerning employees, information concerning the Company's products and services, technical data, know how, specifications, processes, computations, development work, business plans, financial projections and other internal financial information, pricing information, information concerning the Company's sales and marketing programs, training materials and computer programs and routines. Each Senior Officer severally agrees that (i) he will not, at any time either during or after his employment with the Company, in any manner, either directly or indirectly divulge, disclose or communicate any Confidential Information to any person, firm or corporation or any other business entity, (ii) he will not use any Confidential Information for his own benefit or for any other purpose other than for the exclusive benefit of the Company and its subsidiaries, (iii) all Confidential Information is and shall remain the exclusive property of the Company, (iv) upon the termination of his employment with the Company, he will not, without the prior written approval of the Company, keep or remove any books, drawings, documents, records or other written or printed, photographic, encarded, taped, electrostatically or electromagnetically encoded data or information of whatever nature of the Company, and shall immediately return all such material and other Company property in his possession to the Company; provided, however, that foregoing shall not prohibit any Senior Officer from disclosing Confidential Information (i) to the extent such Senior Officer reasonably believes in good faith that the disclosure of such Confidential Information is in the best interests of the Company or otherwise necessary or appropriate to the effective and efficient discharge of such Senior Officer's duties to the Company or (ii) to the extent such disclosure is required under applicable law or pursuant to the order of a court or other governmental agency.

4.2 NONSOLICITATION. Each Senior Officer severally agrees that during any period during which he is employed by the Company and for a period of five (5) years after termination of such employment, he shall not, directly or indirectly, either for himself or for any other person or entity, (i) hire or offer employment to or seek to hire or offer employment to, or otherwise engage as an employee or independent contractor (collectively, an "EMPLOYMENT OFFER"), any employee of the Company or any subsidiary of the Company, or any former employee having been employed by the Company or any subsidiary of the Company within one year prior to such Employment Offer, or in any other way interfere with the relationship between the Company or any subsidiary of the Company and any employee of the Company, or (ii) request, advise or encourage any customer, dealer, financing source, client, vendor or other person with whom the Company or any subsidiary of the Company conducts business to withdraw, curtail, reduce or cancel its business with the Company.

5. MISCELLANEOUS.

5.1 LEGENDS. Each certificate representing the Shares now or hereafter owned by C.E. Bradley, Jr. shall be endorsed with the following legend:

> THE SALE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF AN INVESTOR RIGHTS AGREEMENT BY AND AMONG CONSUMER PORTFOLIO SERVICES, INC., LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P., AND THE OTHER PARTIES NAMED THEREIN. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

Each certificate representing the Shares now or hereafter owned by C.E. Bradley, Sr. or C.E. Bradley, Jr. shall be endorsed with the following legend:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A VOTING AGREEMENT AS SET FORTH IN AN INVESTOR RIGHTS AGREEMENT BY AND AMONG CONSUMER PORTFOLIO SERVICES, INC., LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P., AND THE OTHER PARTIES NAMED THEREIN. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

The foregoing notwithstanding, a certificate evidencing Shares which are, as of the date hereof, pledged to a third party need not be legended as provided in this Section 5.1. To the extent the certificate evidencing any Shares bears a legend required by this Section 5.1 and the holder of such

certificate desires to pledge such Shares to a third party (and, in the case of C.E. Bradley, Jr., such pledge is permitted by clause (v) of the first sentence of Section 2.8), the Company shall promptly issue a new certificate evidencing the Shares to be so pledged without any legend upon written request of such holder certifying such holder's intent to pledge such Shares (and, in the case of any such request by C.E. Bradley, Jr., certifying that such pledge will not violate clause (v) of the first sentence of Section 2.8). A copy of any such request shall be concurrently provided to LLCP.

5.2 STOCK TRANSFER RECORDS. The Company shall make appropriate notations in its stock transfer records of the restrictions on transfer provided for in this Agreement and shall not record any transfers of capital stock not made in strict compliance with the terms of this Agreement. The Company acknowledges that any such transfer shall constitute an Event of Default under the Purchase Agreement.

5.3 SUCCESSORS AND ASSIGNS. The rights and obligations of LLCP under this Agreement shall be freely assignable in connection with any transfer of the Warrant or any portion thereof or of any shares of Common Stock issued upon the exercise thereof in whole or in part; provided, however, that the rights of LLCP under Section 1 of this Agreement may not be assigned except in connection with any such transfer to an affiliate of LLCP. Any assignee of such rights shall be entitled to all of the benefits of this Agreement as if such assignee were an original party hereto. The rights and obligations of the Bradleys hereunder may only be assigned, and shall automatically be assigned, to any person who takes and holds such shares through a private transaction other than one in which a TAR Sale was made or by will or by the laws of descent and distribution. Such persons shall be conclusively deemed to have agreed to and be bound by all the terms and provisions of this Agreement.

5.4 ENTIRE AGREEMENT. This Agreement and the other agreements referenced herein or furnished pursuant hereto or thereto or in connection herewith or therewith constitute the full and entire agreement and understanding between the parties hereto relating to the subject matter hereof.

5.5 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if transmitted by telecopier with receipt acknowledged, or upon delivery, if delivered personally or by recognized commercial courier with receipt acknowledged, or upon the expiration of 72 hours after mailing, if mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to LLCP:

c/o Levine Leichtman Capital Partners, Inc.
335 North Maple Drive, Suite 240
Beverly Hills, CA 90210
Attention: Arthur E. Levine, President
Telephone: (310) 275-5335
Facsimile: (310) 275-1441

If to any assignee of LLCP:

At such assignee's address as shown on the books of the Company.

If to the Company:

Consumer Portfolio Services, Inc.
16355 Laguna Canyon Road
Irvine, CA 92618
Attention: Charles E. Bradley, Jr., President and
Chief Executive Officer
Telephone: (949) 753-6800
Facsimile: (949) 753-6805

or at such other address or addresses as LLCP, such assignee or the Company, as the case may be, may specify by written notice given in accordance with this Section 5.5.

5.6 SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

5.7 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

5.8 DESCRIPTIVE HEADINGS, CONSTRUCTION AND INTERPRETATION. The descriptive headings of the several paragraphs of this Agreement are for convenience of reference only and do not constitute a part of this Agreement and are not to be considered in construing or interpreting this Agreement. All section, preamble, recital and party references are to this Agreement unless otherwise stated. No party, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement, and all provisions of this Agreement shall be construed in accordance with their fair meaning, and not strictly for or against any party.

5.9 WAIVERS AND AMENDMENTS. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally or by course of dealing, but only by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

5.10 REMEDIES. In the event that the Company or any Senior Officer fails to observe or perform any covenant or agreement to be observed or performed under this Agreement, LLCP may proceed to protect and enforce its rights by suit in equity or action at law, whether for specific performance of any term contained in this Agreement or for an injunction against the breach of any such term or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right of LLCP, or to take any one or more of such actions. The Company agrees to pay all fees, costs, and expenses, including without limitation, fees and expenses of attorneys, accountants and other experts retained by LLCP, and all fees, costs and expenses of appeals, incurred or expended by LLCP in connection with the enforcement of this Agreement or the collection of any sums due hereunder, whether or not suit is commenced. None of the rights, powers or remedies conferred under this Agreement shall be mutually exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy whether conferred by this Agreement or now or hereafter available at law, in equity, by statute or otherwise.

5.11 GOVERNING LAW. In all respects, including all matters of construction, validity and performance, this Agreement and the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such state, without regard to principles thereof regarding conflicts of laws.

5.12 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX COMMERCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSONS AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, AND UNDERSTANDING THEY ARE WAIVING A CONSTITUTIONAL RIGHT, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO, THIS AGREEMENT OR THE TRANSACTIONS COMPLETED HEREBY.

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IN WITNESS WHEREOF, the parties have caused this Investor Rights Agreement to be executed and delivered as of the date first above written.

THE COMPANY:

CONSUMER PORTFOLIO SERVICES, INC., a California corporation

By: /s/ Charles E. Bradley, Jr.

Charles E. Bradley, Jr.,
President and Chief Executive Officer

By: /s/ Jeffrey P. Fritz

Jeffrey P. Fritz,
Senior Vice President and Chief Financial Officer

LLCP:

LEVINE LEICHTMAN CAPITAL PARTNERS, INC., a California corporation

on behalf of LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P., a California limited partnership

By: /s/ Lauren B. Leichtman

Lauren B. Leichtman,
Chief Executive Officer

THE SENIOR OFFICERS:

/s/ Charles E. Bradley, Sr.

CHARLES E. BRADLEY, SR.

/s/ Charles E. Bradley, Jr.

CHARLES E. BRADLEY, JR.

/s/ Jeffrey P. Fritz

JEFFREY P. FRITZ

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "AGREEMENT") is entered into as of November 17, 1998 by and between Consumer Portfolio Services, Inc., a California corporation (the "COMPANY"), and Levine Leichtman Capital Partners II, L.P., a California limited partnership ("LLCP").

RECITALS

A. Pursuant to that certain Bridge Loan Agreement dated as of November 2, 1998 between LLCP and the Company, the Company issued to LLCP a warrant to purchase 345,000 shares of Common Stock for a purchase price of $3.00 per share (the "BRIDGE WARRANT").

B. LLCP and the Company are parties to that certain Securities Purchase Agreement of even date herewith (the "PURCHASE AGREEMENT") pursuant to which the Company has agreed to issue to LLCP, and LLCP has agreed to purchase from the Company, (i) a promissory note in the principal amount of $25,000,000 (the "NOTE") and (ii) a warrant to purchase 3,105,000 shares of Common Stock for a purchase price of $3.00 per share. (Pursuant to the terms of the Purchase Agreement, in lieu of issuing a warrant evidencing such right to purchase 3,105,000 shares of Common Stock, the Company will issue, against delivery of the Bridge Warrant for cancellation, a single warrant to purchase 3,450,000 shares of Common Stock (the "WARRANT") to evidence both the right to purchase 345,000 shares of Common Stock originally evidenced by the Bridge Warrant and such right to purchase 3,105,000 shares of Common Stock.) The shares of Common Stock issued or issuable upon exercise of the Warrant are referred to herein as the "WARRANT SHARES" and the holder of the Warrant or any portion thereof shall be deemed to be the holder of the Warrant Shares issuable upon the exercise thereof.) Capitalized terms not defined herein shall have the meanings given to such terms in the Purchase Agreement.

C. The execution of this Agreement by the Company is a condition precedent to the obligation of LLCP to consummate the transactions contemplated by the Purchase Agreement.

D. In consideration of the substantial direct and indirect benefits which the Company will realize from the consummation of the transactions contemplated by the Purchase Agreement, the Company desires to enter into this Agreement and to be bound by the terms and conditions hereof.

AGREEMENT

In consideration of the mutual covenants and agreements set forth herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meanings specified below:

"BUSINESS DAY" shall mean any day that is not a Saturday, Sunday or other day on which banks in the State of California are authorized or required to close.

"COMMISSION" shall mean the Securities and Exchange Commission or any other Federal agency at the time administering the 1933 Act.

"COMMON STOCK" shall mean the common stock, no par value, of the Company.

"COMPANY" shall have the meaning set forth in the preamble of this Agreement.

"DEMANDING HOLDERS" shall mean LLCP or, if LLCP does not hold a majority of the Registrable Securities at any time, the holders of a majority of Registrable Securities.

"DEMAND REGISTRATION" shall have the meaning specified in SECTION 2.1(a).

"FSA" shall mean Financial Security Assurance, Inc.

"FSA REGISTRATION RIGHTS AGREEMENT" shall mean any agreement entered into by the Company and FSA in connection with the transactions contemplated by Section 8.6 (AGREEMENT WITH FSA) of the Purchase Agreement which grants to FSA registration rights with respect to the shares of Common Stock issued to (or issuable upon the exercise of other securities issued to) FSA in connection with such transactions; provided that such registration rights (i) may not provide for more than two demand registration rights, (ii) may not permit the exercise of any demand registration right prior to the first anniversary of the date hereof and (iii) shall otherwise be on terms and conditions consistent with this Agreement.

"INDEMNIFIED PARTY" shall have the meaning specified in SECTION 4.3.

"INDEMNIFYING PARTY" shall have the meaning specified in SECTION 4.3.

"INSPECTORS" shall have the meaning specified in SECTION 3.1(h).

"LLCP" shall have the meaning set forth in the preamble of this Agreement.

"LLCP INDEMNIFIED PARTY" shall have the meaning specified in SECTION 4.1.

"MAXIMUM NUMBERS OF SHARES" shall have the meaning specified in SECTION 2.1(d).

"1933 ACT" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"1934 ACT" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"PIGGY-BACK REGISTRATION" shall have the meaning specified in SECTION 2.2(a).

"PURCHASE AGREEMENT" shall have the meaning set forth in the recitals to this Agreement.

"REGISTER", "REGISTERED" and "REGISTRATION" shall mean a registration effected by preparing and filing a registration statement or similar document in compliance with the 1933 Act, and the applicable rules and regulations thereunder, and such registration statement becoming effective.

"REGISTRABLE SECURITIES" shall mean, collectively, the Shares and any securities issued or issuable upon any stock dividend, stock split, recapitalization, merger, consolidation or similar event with respect to the Shares. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (i) a registration statement covering such securities shall have become effective under the 1933 Act and such securities shall have been sold pursuant to such registration statement, (ii) such securities shall have been distributed to the public pursuant to Rule 144 or Rule 144A (or any successor provisions) under the 1933 Act, (iii) such securities shall have ceased to be outstanding, or (iv) such Registrable Securities are sold pursuant to that certain Securities Option Agreement of even date herewith among LLCP, Stanwich and the Company.

"SHARES" shall mean the shares of Common Stock issued or issuable upon exercise of the Warrant. As used in this Agreement, the holder of the Warrant or any portion thereof shall be deemed to be the holder of the shares of Common Stock issuable upon exercise thereof and, to the extent such shares constitute Registrable Securities, such holder shall be deemed to be the holder of such Registrable Securities.

"STANWICH" shall mean Stanwich Financial Services Corp., a Rhode Island corporation.

"STANWICH REGISTRATION RIGHTS AGREEMENT" shall mean that certain Consolidated Registration Rights Agreement between the Company and Stanwich of even date herewith which (i) supersedes and replaces (A) that certain Amended & Restated Registration Rights Agreement between the Company and Stanwich made originally as of June 12, 1997 and was amended and restated as of July 21, 1998 and (B) that certain Registration Rights Agreement between the Company and Stanwich made as of July 21, 1998 and (ii) grants to Stanwich two demand registration rights (commencing on the first anniversary of the date hereof) and piggy-back registration rights on terms and conditions consistent with this Agreement with respect to certain shares of Common Stock held by Stanwich or issuable to Stanwich upon the conversion of certain securities held by Stanwich.

"UNDERWRITER" shall mean a securities dealer who purchases any Registrable Securities as principal in an underwritten offering and not as part of such dealer's market-making activities.

"WARRANT" shall mean the warrant to purchase 3,450,000 shares of Common Stock issued pursuant to the Purchase Agreement, as such warrant may be amended, restated or amended and restated at any time and shall include (i) any new warrant or warrants issued upon the transfer of all or any portion of the warrant issued pursuant to the Purchase Agreement and (ii) any warrant or warrants issued upon the further transfer, division or combination of any such new warrant or warrants.

Capitalized terms not otherwise defined herein shall have the meaning given to them in the Purchase Agreement.

2. REGISTRATION RIGHTS.

2.1 DEMAND REGISTRATION.

(a) REQUEST FOR REGISTRATION. At any time and from time to time on or after the first anniversary of the date of this Agreement, the Demanding Holders may make a written request for registration under the 1933 Act of all or part of their Registrable Securities (a "DEMAND REGISTRATION"). Such request for a Demand Registration must specify the number of shares of Registrable Securities proposed to be sold and must also specify the intended method of disposition thereof. Upon any such request, the Demanding Holders shall be entitled to have their Registrable Securities included in the Demand Registration, subject to Section 2.1(d) and the proviso set forth in Section 3.1(a). The Company shall not be obligated to effect more than two Demand Registrations with respect to the Shares under this SECTION 2.1(a).

(b) EFFECTIVE REGISTRATION. Except in the case of a withdrawal governed by the last sentence of SECTION 2.1(e), a registration will not count as a Demand Registration until it has become effective and the Company has complied with its obligations under this Agreement with respect thereto; provided, however, that, after it has been declared effective, if the offering of Registrable Securities pursuant to a Demand Registration is interfered with by any stop order, injunction or other order or requirement of the Commission or any other governmental agency or court, such Demand Registration will be deemed not to have become effective during the period of such interference.

(c) UNDERWRITTEN OFFERING. If the Demanding Holders so elect, the offering of such Registrable Securities pursuant to such Demand Registration shall be in the form of an underwritten offering. The Demanding Holders shall select one or more firms of investment bankers to act as the managing Underwriter or Underwriters in connection with such offering and shall select any additional managers to be used in connection with the offering.

(d) REDUCTION OF OFFERING. If the managing Underwriter or Underwriters for a Demand Registration that is to be an underwritten offering advises the Company and the Demanding Holders, in writing, that the dollar amount or number of shares of Registrable Securities which the Demanding Holders desire to sell, taken together with all other shares of Common Stock or

securities which the Company desires to sell and the shares of Common Stock, if any, as to which registration has been requested pursuant to the piggy-back registration rights under the FSA Registration Rights Agreement and the Stanwich Registration Rights Agreement or which other shareholders of the Company desire to sell, exceeds the maximum dollar amount or number that can be sold in such offering without adversely affecting the proposed offering price, the timing, the distribution method or the probability of success of such offering (the "MAXIMUM NUMBER OF SHARES"), then the Company shall include in such registration: (i) first, the Registrable Securities as to which Demand Registration has been requested by the Demanding Holders (pro rata in accordance with the number of shares of Registrable Securities held by each Demanding Holder, regardless of the number of shares of Registrable Securities which such Demanding Holder has requested be included in such registration) that can be sold without exceeding the Maximum Number of Shares, (ii) second, to the extent the Maximum Number of Shares has not been reached under the foregoing clause (i), the shares of Common Stock for the account of other persons that the Company is obligated to register pursuant to the FSA Registration Rights Agreement and the Stanwich Registration Rights Agreement (to be allocated among the persons requesting inclusion in such registration pursuant to such agreements pro rata in accordance with the number of shares of Common Stock with respect to which such person has the right to request such inclusion under such agreements, regardless of the number of shares which such person has actually requested be included in such registration) that can be sold without exceeding the Maximum Number of Shares, (iii) third, to the extent the Maximum Number of Shares has not been reached under the foregoing clauses (i) and (ii), the shares of Common Stock that the Company desires to sell that can be sold without exceeding the Maximum Number of Shares and (iii) fourth, to the extent the Maximum Number of Shares has not been reached under the foregoing clauses (i), (ii) and (iii), the shares of Common Stock that other shareholders desire to sell that can be sold without exceeding the Maximum Number of Shares.

(e) WITHDRAWAL. If the Demanding Holders or any of them disapprove of the terms of any underwriting or are not entitled to include all of their Registrable Securities in any offering, such Demanding Holders may elect to withdraw from such offering by giving written notice to the Company and the Underwriter of their request to withdraw prior to the effectiveness of the registration statement. If the Demanding Holders or any of them withdraw from a proposed offering relating to a Demand Registration and, solely as a result of such withdrawal the registration statement is withdrawn prior to being declared effective, such registration shall count as a Demand Registration provided for in SECTION 2.1(a) unless the withdrawing Demanding Holders pay their pro rata share (based upon the number of shares to be included in such registration statement) of the expenses incurred in connection with such registration statement.

2.2 PIGGY-BACK REGISTRATION.

(a) PIGGY-BACK RIGHTS. If at any time the Company proposes to file a registration statement under the 1933 Act with respect to an offering of equity securities, or securities convertible or exchangeable into equity securities, by the Company for its own account or by shareholders of the Company for their account (or by the Company and by shareholders of the Company) other than

a registration statement (i) on Form S-4 or S-8 (or any substitute or successor form that may be adopted by the Commission), (ii) filed in connection with any employee stock option or other benefit plan, (iii) for an exchange offer or offering of securities solely to the Company's existing shareholders, or (iv) for a dividend reinvestment plan, then the Company shall (x) give written notice of such proposed filing to the holders of Registrable Securities as soon as practicable but in no event less than 30 days before the anticipated filing date, which notice shall describe the amount and type of securities to be included in such offering, the intended method(s) of distribution, and the name of the proposed managing Underwriter or Underwriters, if any, of the offering; and (y) offer to the holders of Registrable Securities in such notice the opportunity to register such number of shares of Registrable Securities as such holders may request in writing within 15 days following receipt of such notice (a "PIGGY-BACK REGISTRATION"). The Company shall cause such Registrable Securities to be included in such registration and shall use its best efforts to cause the managing Underwriter or Underwriters of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company and to permit the sale or other disposition of such Registrable Securities in accordance with the intended method of distribution thereof.

(b) REDUCTION OF OFFERING.

(i) If the managing Underwriter or Underwriters for a Piggy-Back Registration that is to be an underwritten offering of shares for the Company's account advises the Company and the holders of Registrable Securities in writing that the dollar amount or number of shares of Common Stock which the Company desires to sell, taken together with the Registrable Securities as to which registration has been requested hereunder and the shares of Common Stock, if any, as to which registration has been requested pursuant to the piggy-back registration rights under the FSA Registration Rights Agreement or the Stanwich Registration Rights Agreement or which other shareholders of the Company desire to sell, exceeds the Maximum Number of Shares, then the Company shall include in such registration: (i) first, the shares of Common Stock or other securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Shares, (ii) second, to the extent the Maximum Number of Shares has not been reached under the foregoing clause (i), the Registrable Securities as to which registration has been requested hereunder and the shares of Common Stock, if any, as to which registration has been requested pursuant to the piggy-back registration rights granted under the FSA Registration Rights Agreement and the Stanwich Registration Rights Agreement (to be allocated among the persons requesting inclusion in such registration pursuant to such agreements pro rata in accordance with the number of shares of Common Stock with respect to which such person has the right to request such inclusion under such agreements, regardless of the number of shares which such person has actually requested be included in such registration) that can be sold without exceeding the Maximum Number of Shares and (iii) third, to the extent the Maximum Number of Shares has not been reached under the foregoing clauses (i) and (ii), the shares of Common Stock that other shareholders desire to sell that can be sold without exceeding the Maximum Number of Shares.

(ii) If the managing Underwriter or Underwriters for a Piggy-Back Registration that is to be an underwritten offering of shares for the account of persons having demand registration rights under the Stanwich Registration Rights Agreement account advises the Company and the holders of Registrable Securities in writing that the dollar amount or number of shares of Common Stock which such persons desire to sell, taken together with the Registrable Securities as to which registration has been requested hereunder, the shares of Common Stock, if any, as to which registration has been requested pursuant to the piggy-back registration rights under the FSA Registration Rights Agreement and the shares of Common Stock, if any, which the Company or other shareholders of the Company desire to sell, exceeds the Maximum Number of Shares, then the Company shall include in such registration: (i) first, the shares of Common Stock for the account of persons having demand registration rights under the Stanwich Registration Rights Agreement that can be sold without exceeding the Maximum Number of Shares, (ii) second, to the extent the Maximum Number of Shares has not been reached under the foregoing clause (i), the Registrable Securities as to which registration has been requested by the holders of Registrable Securities hereunder and the shares of Common Stock, if any, as to which registration has been requested pursuant to the piggy-back registration rights granted under the FSA Registration Rights Agreement (to be allocated among the persons requesting inclusion in such registration pursuant to such agreements pro rata in accordance with the number of shares of Common Stock with respect to which such person has the right to request such inclusion under such agreements, regardless of the number of shares which such person has actually requested be included in such registration) that can be sold without exceeding the Maximum Number of Shares, (iii) third, to the extent the Maximum Number of Shares has not been reached under the foregoing clauses (i) and (ii), the shares of Common Stock, if any, that the Company desires to sell that can be sold without exceeding the Maximum Number of Shares and (iv) fourth, to the extent the Maximum Number of Shares has not been reached under the foregoing clauses (i), (ii) and (iii), the shares of Common Stock, if any, which other shareholders desire to sell that can be sold without exceeding the Maximum Number of Shares.

(iii) If the managing Underwriter or Underwriters for a Piggy-Back Registration that is to be an underwritten offering of shares for the account of persons having demand registration rights under the FSA Registration Rights Agreement account advises the Company and the holders of Registrable Securities in writing that the dollar amount or number of shares of Common Stock which such persons desire to sell, taken together with the Registrable Securities as to which registration has been requested hereunder, the shares of Common Stock, if any, as to which registration has been requested pursuant to the piggy-back registration rights under the Stanwich Registration Rights Agreement and the shares of Common Stock, if any, which the Company or other shareholders of the Company desire to sell, exceeds the Maximum Number of Shares, then the Company shall include in such registration: (i) first, the shares of Common Stock for the account of persons having demand registration rights under the FSA Registration Rights Agreement that can be sold without exceeding the Maximum Number of Shares, (ii) second, to the extent the Maximum Number of Shares has not been reached under the foregoing clause (i), the Registrable Securities as to which registration has been requested by the holders of Registrable Securities hereunder and the shares of Common Stock, if any, as to which registration has been

requested pursuant to the piggy-back registration rights granted under the Stanwich Registration Rights Agreement (to be allocated among the persons requesting inclusion in such registration pursuant to such agreements pro rata in accordance with the number of shares of Common Stock with respect to which such person has the right to request such inclusion under such agreements, regardless of the number of shares which such person has actually requested be included in such registration) that can be sold without exceeding the Maximum Number of Shares, (iii) third, to the extent the Maximum Number of Shares has not been reached under the foregoing clauses (i) and (ii), the shares of Common Stock, if any, that the Company desires to sell that can be sold without exceeding the Maximum Number of Shares and (iv) fourth, to the extent the Maximum Number of Shares has not been reached under the foregoing clauses (i), (ii) and (iii), the shares of Common Stock, if any, which other shareholders desire to sell that can be sold without exceeding the Maximum Number of Shares.

(c) WITHDRAWAL. Any holder of Registrable Securities may elect to withdraw such holder's request for inclusion of Registrable Securities in any Piggy-Back Registration by giving written notice to the Company of such request to withdraw prior to the effectiveness of the registration statement. The Company may also elect to withdraw a registration statement at any time prior to the effectiveness of the registration statement. Notwithstanding any such withdrawal, the Company shall pay all expenses incurred by the holders of Registrable Securities in connection with such Piggy-Back Registration as provided in Section 3.3.

2.3 REGISTRATIONS ON FORM S-3. The holders of Registrable Securities may at any time request in writing that the Company register the resale of any or all of such Registrable Securities on Form S-3 (or any similar short-form registration which may be available at such time). Upon receipt of such written request, the Company will promptly give written notice of the proposed registration to all other holders of Registrable Securities, and, as soon as practicable thereafter, effect the registration of all or such portion of such holder's or holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other holder or holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration pursuant to this Section 2.3 if (i) Form S-3 is not available for such offering; (ii) the holders propose to effect an underwritten offering, (iii) the holders propose to sell Registrable Securities at an anticipated aggregate price to the public (net of any underwriters' discounts or commissions) of less than $500,000, (iv) the Company shall furnish to the holders a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such Form S-3 registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 60 days after receipt of the request of the holder or holders under this Section 2.3, provided, however, that in the event the Company elects to exercise such right with respect to any registration, it shall not have the right to exercise such right again prior to the date which is ten months after the date on which the registration statement relating to such deferred registration is declared effective, (v) the Company has effected eight registrations pursuant to this Section 2.3 or (vi) the Company

has effected two registrations pursuant to this Section 2.3 during the 12 month period prior to the date on which the registration statement relating to such registration is anticipated to be declared effective. The Company shall use its best efforts to maintain each registration statement under this Section 2.3 effective for 60 days or until the Registrable Securities covered thereby have been sold, whichever shall first occur. Registrations effected pursuant to this Section 2.3 shall not be counted as Demand Registrations effected pursuant to Section 2.1.

2.4 PURCHASE (AND EXERCISE) OF THE WARRANT BY THE UNDERWRITERS. Notwithstanding any other provision of this Agreement to the contrary, in connection with any Demand Registration or Piggy-Back Registration which is to be an underwritten offering, to the extent all or any portion of the Registrable Securities to be included in such registration consist of shares of Common Stock issuable upon exercise of the Warrant or any portion thereof, the holders of such Registrable Securities may require that the Underwriter or Underwriters purchase (and exercise) the Warrant or any portion thereof rather than require the holders of the Registrable Securities to exercise the Warrant or portion thereof in connection with such registration unless the Underwriters inform such holders that such a purchase and exercise of the Warrant will materially and adversely affect the proposed offering. The Company shall take all such action and provide all such assistance as may be reasonably requested by the holders of Registrable Securities to facilitate any such purchase (and exercise) of the Warrant agreed to by the Underwriter or Underwriters, including, without limitation, issuing the Common Stock issuable upon the exercise of the Warrant or any portion thereof to be issued within such time period as will permit the Underwriters to make and complete the distribution contemplated by the underwriting.

3. REGISTRATION PROCEDURES.

3.1 FILINGS; INFORMATION. If and whenever the Company is required to effect the registration of any Registrable Securities under the 1933 Act pursuant to SECTION 2, the Company shall use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof as expeditiously as practicable, and in connection with any such request:

(a) FILING REGISTRATION STATEMENT. The Company shall, as expeditiously as possible, prepare and file, within 60 days after receipt of a request for a Demand Registration pursuant to SECTION 2.1, with the Commission a registration statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and shall use its best efforts to cause such registration statement to become and remain effective for the period required by Section 3.1(c); provided, however, that the Company shall have the right to defer such registration for up to 60 days if the Company shall furnish to the holders a certificate signed by the Chief Executive Officer of the Company stating that, in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such registration statement to be effected at such time;

provided further, that in the event the Company elects to exercise such right with respect to any registration, it shall not have the right to exercise such right again prior to the date which is 12 months after the date on which the registration statement relating to such deferred registration is declared effective.

(b) COPIES. The Company shall, prior to filing a registration statement or prospectus or any amendment or supplement thereto, furnish without charge to the holders of Registrable Securities included in such registration, and such holders' legal counsel, copies of such registration statement as proposed to be filed, each amendment and supplement to such registration statement (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus), and such other documents as the holders of Registrable Securities included in such registration or legal counsel for any such holder may request in order to facilitate the disposition of the Registrable Securities owned by such holders.

(c) AMENDMENTS AND SUPPLEMENTS. The Company shall prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and in compliance with the provisions of the 1933 Act until all Registrable Securities and other securities covered by such registration statement have been disposed of in accordance with the intended methods of disposition set forth in such registration statement (which period shall not exceed the sum of 120 days plus any period during which any such disposition is interfered with by any stop order, injunction or other order or requirement of the Commission or any governmental agency or court) or such securities have been withdrawn.

(d) NOTIFICATION. After the filing of the registration statement, the Company shall promptly, and in no event more than two Business Days, notify the holders of Registrable Securities included in such registration statement, and confirm such advice in writing, (i) when such registration statement becomes effective, (ii) when any post-effective amendment to such registration statement becomes effective, (iii) of any stop order issued or threatened by the Commission (and the Company shall take all actions required to prevent the entry of such stop order or to remove it if entered) and (iv) of any request by the Commission for any amendment or supplement to such registration statement or any prospectus relating thereto or for additional information or of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the securities covered by such registration statement, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and promptly make available to the holders of Registrable Securities included in such registration statement any such supplement or amendment; except that before filing with the Commission a registration statement or prospectus or any amendment or supplement thereto, including documents incorporated by reference, the Company shall furnish to the holders of Registrable Securities included in such registration statement and to the legal counsel for any such holders, copies of all such documents proposed to be filed sufficiently in advance of filing to provide such holders and

legal counsel with a reasonable opportunity to review such documents and comment thereon, and the Company shall not file any registration statement or prospectus or amendment or supplement thereto, including documents incorporated by reference to which such holders or legal counsel, shall object on a timely basis in light of the requirements of the 1933 Act or any other applicable laws and regulations.

(e) STATE SECURITIES LAWS COMPLIANCE. The Company shall use its best efforts to (i) register or qualify the Registrable Securities covered by the registration statement under such securities or blue sky laws of such jurisdictions in the United States as the holders of Registrable Securities included in such registration statement (in light of their intended plan of distribution) may request and (ii) cause such Registrable Securities covered by the registration statement to be registered with or approved by such other governmental agencies or authorities in the United States as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be necessary or advisable to enable the holders of Registrable Securities included in such registration statement to consummate the disposition of such Registrable Securities in such jurisdictions; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (e), or subject itself to taxation in any such jurisdiction.

(f) AGREEMENTS FOR DISPOSITION. The Company shall enter into customary agreements (including, if applicable, an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities. The representations, warranties and covenants of the Company in any underwriting agreement which are made to or for the benefit of any Underwriters shall also be made to and for the benefit of the holders of Registrable Securities included in such registration statement. No holder of Registrable Securities included in such registration statement shall be required to make any representations or warranties in the underwriting agreement except, if applicable, with respect to such holder's organization, good standing, authority, title to Registrable Securities, lack of conflict of such sale with such holder's material agreements and organizational documents, and with respect to written information relating to such holder that such holder has furnished in writing expressly for inclusion in such registration statement.

(g) COOPERATION. The Chief Executive Officer, the President of the Company, the Chief Financial Officer of the Company, any Senior Vice President of the Company and any other members of the management of the Company shall cooperate fully in any offering of Registrable Securities hereunder, which cooperation shall include, without limitation, the preparation of the registration statement with respect to such offering and all other offering materials and related documents, and participation in meetings with Underwriters, attorneys, accountants and potential investors.

(h) RECORDS. The Company shall make available for inspection by the holders of Registrable Securities included in such registration statement, any Underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other

professional retained by any holder of Registrable Securities included in such registration statement or any Underwriter, all financial and other records, pertinent corporate documents and properties of the Company, as shall be necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information requested by any of them in connection with such registration statement.

(i) OPINIONS AND COMFORT LETTERS. The Company shall furnish to each holder of Registrable Securities included in any registration statement a signed counterpart, addressed to such holder, of (i) any opinion of counsel to the Company delivered to any Underwriter and (ii) any comfort letter from the Company's independent public accountants delivered to any Underwriter. In the event no legal opinion is delivered to any Underwriter, the Company shall furnish to each holder of Registrable Securities included in such registration statement, at any time that such holder elects to use a prospectus, an opinion of counsel to the Company to the effect that the registration statement containing such prospectus has been declared effective and that no stop order is in effect.

(j) EARNINGS STATEMENT. The Company shall comply with all applicable rules and regulations of the Commission and the 1933 Act, and make available to its shareholders, as soon as practicable, an earnings statement covering a period of 12 months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder.

(k) LISTING. The Company shall use its best efforts to cause all Registrable Securities included in any registration to be listed on such exchanges or otherwise designated for trading in the same manner as similar securities issued by the Company are then listed or designated or, if no such similar securities are then listed or designated, in a manner satisfactory to the holders of a majority of the Registrable Securities included in such registration.

3.2 OBLIGATION TO SUSPEND DISTRIBUTION. Upon receipt of any notice from the Company of the happening of any event of the kind described in SECTION 3.1(d)(iv), each holder of Registrable Securities included in any registration shall immediately discontinue disposition of such Registrable Securities pursuant to the registration statement covering such Registrable Securities until such holder receives the supplemented or amended prospectus contemplated by SECTION 3.1(d)(iv), and, if so directed by the Company, each such holder will deliver to the Company all copies, other than permanent file copies then in such holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice.

3.3 REGISTRATION EXPENSES. The Company shall pay all expenses incurred in connection with any Demand Registration pursuant to SECTION 2.1 and any Piggy-Back Registration pursuant to SECTION 2.2, and all expenses incurred in performing or complying with the Company's obligations under this SECTION 3, whether or not the registration statement becomes effective, in each case including, but not limited to: (i) all registration and filing fees; (ii) fees and expenses of compliance with securities or blue sky laws (including fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities); (iii) printing expenses; (iv) the

Company's internal expenses (including, without limitation, all salaries and expenses of its officers and employees); (v) the fees and expenses incurred in connection with the listing of the Registrable Securities as required by SECTION 3.1(k); (vi) National Association of Securities Dealers, Inc. fees; (vii) fees and disbursements of counsel for the Company and fees and expenses for independent certified public accountants retained by the Company (including the expenses or costs associated with the delivery of any opinions or comfort letters requested pursuant to SECTION 3.1(i); (viii) the fees and expenses of any special experts retained by the Company in connection with such registration; (ix) one-half of the cost for selling stockholder errors and omissions insurance for the benefit of the holders of Registrable Securities included in such registration which the holders of a majority of such Registrable Securities may elect to purchase (with the other one-half of such cost to be paid by the holders of Registrable Securities included in such registration, pro rata in accordance with the number of shares included in such registration), and (x) all fees and expenses incurred by the holders of Registrable Securities included in such registration statement in connection with its participation in such registration, including, without limitation, the fees and expenses of such holders' legal counsel, accountants and other experts. The Company shall have no obligation to pay any underwriting fees, discounts or selling commissions attributable to the Registrable Securities being sold by holders of Registrable Securities, which expenses shall be borne by such holders.

3.4 INFORMATION. The holders of Registrable Securities shall provide such information as reasonably requested by the Company in connection with the preparation of any registration statement, including amendments and supplements thereto, in order to effect the registration of any Registrable Securities under the 1933 Act pursuant to SECTIONS 2.

4. INDEMNIFICATION AND CONTRIBUTION.

4.1 INDEMNIFICATION BY THE COMPANY. The Company agrees to indemnify and hold harmless (i) LLCP (including its general and limited partners), each holder of Registrable Securities and Levine Leichtman Capital Partners, Inc., and (ii) the respective officers, employees, affiliates, directors, partners, members and agents, and each person, if any, who controls LLCP, any holder of Registrable Securities or Levine Leichtman Capital Partners, Inc. within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act (each, an "LLCP Indemnified Party"), from and against any loss, claim, damage or liability and any action in respect thereof to which any LLCP Indemnified Party may become subject under the 1933 Act or the 1934 Act or any other statute or common law, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (a) any untrue statement or alleged untrue statement of a material fact made in connection with the sale of Registrable Securities or shares of Common Stock, whether or not such statement is contained or incorporated by reference in any registration statement or prospectus relating to the Registrable Securities (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, (b) any omission or alleged omission to state a material fact required to be stated in any registration statement or prospectus or necessary to make the statements therein not misleading, or (c) any violation by the Company of any Federal, state or common law, rule or regulation applicable to the Company and relating to action

required of or inaction by the Company in connection with such registration. The Company also shall promptly, but in no event more than ten Business Days after request for payment, pay directly or reimburse each LLCP Indemnified Party for any legal and other expenses incurred by such LLCP Indemnified Party in investigating or defending or preparing to defend against any such loss, claim, damage, liability or action. The Company also shall indemnify any Underwriter of the Registrable Securities, their officers, affiliates, directors, partners, members and agents and each person who controls such Underwriters on substantially the same basis as that of the indemnification provided above in this SECTION 4.1.

The indemnity agreement contained in this SECTION 4.1 shall not apply to amounts paid in settlement of any such loss, claim, damage or liability or any action in respect thereof if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to any holder of Registrable Securities included in any registration for any loss, claim, damage, liability or any action in respect thereof to the extent that it arises solely from or is based solely upon and is in conformity with information related to such holder furnished in writing by such holder expressly for use in connection with such registration, nor shall the Company be liable to any holder of Registrable Securities included in any registration for any loss, claim, damage or liability or any action in respect thereof to the extent it arises solely from or is based solely upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities delivered in writing by such holder after the Company had provided written notice to such holder that such registration statement or prospectus contained such untrue statement or alleged untrue statement of a material fact, or (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading after the Company had provided written notice to such holder that such registration statement or prospectus contained such omission or alleged omission.

4.2 INDEMNIFICATION BY HOLDERS OF REGISTRABLE SECURITIES. Each holder of Registrable Securities shall indemnify and hold harmless the Company, its officers, directors, partners, members and agents and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act to the same extent as the foregoing indemnity from the Company to such holder, but solely with reference to information related to such holder furnished in writing by such holder expressly for use in any registration statement or prospectus relating to Registrable Securities of such holder included in any registration, or any amendment or supplement thereto, or any preliminary prospectus. Each holder of Registrable Securities included in any registration hereunder shall also indemnify and hold harmless any Underwriter of such holder's Registrable Securities, their officers, directors, partners, members and agents and each person who controls such Underwriters on substantially the same basis as that of the indemnification of the Company provided in this SECTION 4.2; PROVIDED, HOWEVER, that in no event shall any indemnity obligation under this SECTION 4.2 exceed the dollar amount of the net proceeds (after payment of any underwriting fees, discounts or commissions) actually received by such holder from the sale of Registrable Securities which gave rise to such indemnification obligation under such registration statement or prospectus.

4.3 CONDUCT OF INDEMNIFICATION PROCEEDINGS. Promptly after receipt by any person of any notice of any loss, claim, damage or liability or any action in respect of which indemnity may be sought pursuant to SECTION 4.1 or 4.2, such person (the "INDEMNIFIED PARTY") shall, if a claim in respect thereof is to be made against any other person for indemnification hereunder, notify such other person (the "INDEMNIFYING PARTY") in writing of the loss, claim damage, liability or action; PROVIDED, HOWEVER, that the failure by the Indemnified Party to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability which the Indemnifying Party may have to such Indemnified Party hereunder, except to the extent the Indemnifying Party is actually prejudiced by such failure. If the Indemnified Party is seeking indemnification with respect to any claim or action brought against the Indemnified Party, then the Indemnifying Party shall be entitled to participate in such claim or action, and, to the extent that it wishes, jointly with all other Indemnifying Parties, to assume the defense thereof with counsel satisfactory to the Indemnified Party. After notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of such claim or action, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; PROVIDED, HOWEVER, that in any action in which both the Indemnified Party and the Indemnifying Party are named as defendants, the Indemnified Party shall have the right to employ separate counsel (but no more than one such separate counsel) to represent the Indemnified Party and its controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Indemnified Party against the Indemnifying Party, with the fees and expenses of such counsel to be paid by such Indemnifying Party if, based upon the written opinion of counsel of such Indemnified Party, representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, consent to entry of judgment or effect any settlement of any claim or pending or threatened proceeding in respect of which the Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such judgment or settlement includes an unconditional release of such Indemnified Party from all liability arising out of such claim or proceeding.

4.4 CONTRIBUTION. If the indemnification provided for in the foregoing SECTIONS 4.1, 4.2 and 4.3 is unavailable to any Indemnified Party in respect of any loss, claim, damage, liability or action referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage, liability or action in such proportion as is appropriate to reflect the relative fault of the Indemnified Parties and the Indemnifying Parties in connection with the actions or omissions which resulted in such loss, claim, damage, liability or action, as well as any other relevant equitable considerations. The relative fault of any Indemnified Party and any Indemnifying Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such Indemnified Party or such Indemnifying Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this SECTION 4.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of any loss, claim, damage, liability or action referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this SECTION 4.4, no holder of Registrable Securities shall be required to contribute any amount in excess of the dollar amount of the net proceeds (after payment of any underwriting fees, discounts or commissions) actually received by such holder from the sale of Registrable Securities which gave rise to such contribution obligation. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

5. UNDERWRITING AND DISTRIBUTION.

5.1 RULE 144. The Company covenants that it shall file any reports required to be filed by it under the 1933 Act and the 1934 Act and shall take such further action as the holders of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holders to sell Registrable Securities without registration under the 1933 Act within the limitation of the exemptions provided by Rule 144 or Rule 144A under the 1933 Act, as such Rules may be amended from time to time, or any similar Rule or regulation hereafter adopted by the Commission.

5.2 RESTRICTIONS ON SALE BY THE COMPANY AND OTHERS. The Company agrees (i) not to effect any sale or distribution of any securities similar to those being registered in accordance with SECTION 2.1, or any securities convertible into or exchangeable or exercisable for such securities, during the 90 days prior to, and during the 120-day period beginning on, the effective date of any Demand Registration (except as part of such Demand Registration to the extent permitted by Section 2.1(d)); and (ii) that any agreement entered into after the date hereof pursuant to which the Company issues or agrees to issue any privately placed securities shall contain a provision under which holders of such securities agree not to effect any sale or distribution of any such securities during the periods described in (i) above, in each case including a sale pursuant to Rule 144 or 144A under the 1933 Act (except as part of any such registration, if permitted); PROVIDED, HOWEVER, that the provisions of this SECTION 5.2 shall not prevent the conversion or exchange of any securities pursuant to their terms into or for other securities and shall not prevent the issuance of securities by the Company under any employee benefit, stock option or stock subscription plans.

6. MISCELLANEOUS.

6.1 OTHER REGISTRATION RIGHTS. The Company represents and warrants that, except as provided in the Stanwich Registration Rights Agreement, no person has any right to require the Company to register any shares of the Company's capital stock for sale or to include shares of the Company's capital stock in any registration filed by the Company for the sale of shares of capital stock for its own account or for the account of any other person. From and after the date of this Agreement, the Company shall not, without the prior written consent of LLCP, (i) enter into any agreement granting any demand registration right (i.e., the right to require the Company to register the sale of any shares of the Company's capital stock) other than demand registration rights under the FSA Registration Rights Agreement, (ii) enter into any agreement granting any piggy-back registration right (i.e., the right to require the Company to register the sale of any shares of the Company's capital stock in any registration filed by the Company for the sale of shares of capital stock for its own account or for the account of any other person) which is inconsistent with, equal to (except pursuant to the FSA Registration Rights Agreement) or superior to any registration rights granted hereunder, or (iii) amend the Stanwich Registration Rights Agreement (or enter into or amend the FSA Registration Rights Agreement at any time) so as to cause the registration rights granted therein to be inconsistent with, equal to or superior to the rights granted to the holders of Registrable Securities hereunder or to otherwise adversely affect the registration rights granted to the holders of Registrable Securities hereunder.

6.2 SUCCESSORS AND ASSIGNS. The rights and obligations of LLCP under this Agreement shall be freely assignable in whole or in part. Each such assignee, by accepting such assignment of the rights of the assignor hereunder shall be deemed to have agreed to and be bound by the obligations of the assignor hereunder. The rights and obligations of the Company hereunder may not be assigned.

6.3 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if transmitted by telecopier with receipt acknowledged, or upon delivery, if delivered personally or by recognized commercial courier with receipt acknowledged, or upon the expiration of 72 hours after mailing, if mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to LLCP:

c/o Levine Leichtman Capital Partners, Inc.
335 North Maple Drive, Suite 240
Beverly Hills, CA 90210
Attention: Arthur E. Levine, President
Telephone: (310) 275-5335
Facsimile: (310) 275-1441

If to any assignee of LLCP:

At such assignee's address as shown on the books of the Company.

If to the Company:

Consumer Portfolio Services, Inc.
16355 Laguna Canyon Road
Irvine, CA 92618
Attention: Charles E. Bradley, Jr., President
and Chief Executive Officer
Telephone: (949) 753-6800
Facsimile: (949) 753-6805

or at such other address or addresses as LLCP, such assignee or the Company, as the case may be, may specify by written notice given in accordance with this Section.

6.4 SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

6.5 COUNTERPART. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

6.6 DESCRIPTIVE HEADINGS, CONSTRUCTION AND INTERPRETATION. The descriptive headings of the several paragraphs of this Agreement are for convenience of reference only and do not constitute a part of this Agreement and are not to be considered in construing or interpreting this Agreement. All section, preamble, recital and party references are to this Agreement unless otherwise stated. No party, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement, and all provisions of this Agreement shall be construed in accordance with their fair meaning, and not strictly for or against any party.

6.7 WAIVERS AND AMENDMENTS. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally or by course of dealing, except by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

6.8 REMEDIES. In the event that the Company fails to observe or perform any covenant or agreement to be observed or performed under this Agreement, LLCP or any other holder of Registrable Securities may proceed to protect and enforce its rights by suit in equity or action at law, whether for specific performance of any term contained in this Agreement or for an injunction against the breach of any such term or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right, or to take any one or more of such actions. The Company agrees to pay all fees, costs, and expenses, including without limitation, fees and expenses of attorneys, accountants and other experts, and all fees, costs and expenses of appeals, incurred by LLCP or any other holder of Registrable Securities in connection with the enforcement of this Agreement or the collection or any sums due hereunder, whether or not suit is commenced. None

of the rights, powers or remedies conferred under this Agreement shall be mutually exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy whether conferred by this Agreement or now or hereafter available at law, in equity, by statute or otherwise.

6.9 GOVERNING LAW. In all respects, including all matters of construction, validity and performance, this Agreement and the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such state, without regard to principles thereof regarding conflicts of laws.

7. WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX COMMERCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, AND UNDERSTANDING THEY ARE WAIVING A CONSTITUTIONAL RIGHT, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO, THIS AGREEMENT, THE PURCHASE AGREEMENT AND/OR ANY RELATED AGREEMENT OR THE TRANSACTIONS COMPLETED HEREBY OR THEREBY.

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IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be executed and delivered by their duly authorized representatives as of the date first above written.

THE COMPANY:

CONSUMER PORTFOLIO SERVICES, INC., a California corporation

By:/s/ Charles E. Bradley, Jr.
Charles E. Bradley, Jr.,
President and Chief Executive Officer

By:/s/ Jeffrey P. Fritz
Jeffrey P. Fritz,
Senior Vice President and Chief Financial Officer

LLCP:

LEVINE LEICHTMAN CAPITAL PARTNERS, INC., a California corporation

on behalf of LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P., a California limited partnership

By:/s/ Lauren B. Leichtman
Lauren B. Leichtman,
Chief Executive Officer

SECURITIES OPTION AGREEMENT

This Securities Option Agreement is entered into as of November 17, 1998 (this "Agreement"), by and among Levine Leichtman Capital Partners II, L.P., a California limited partnership ("LLCP"), Stanwich Financial Services Corp., a Rhode Island corporation ("SFSC"), and Consumer Portfolio Services, Inc., a California corporation ("CPS").

RECITALS

A. On the terms and subject to the conditions set forth in that certain Securities Purchase Agreement of even date herewith (the "Purchase Agreement") between LLCP and CPS, on the date hereof, CPS is issuing, selling and delivering to LLCP, and LLCP is purchasing from CPS, a Senior Subordinated Primary Note in the aggregate principal amount of $25,000,000 (the "LLCP Senior Subordinated Note") and a Primary Warrant to Purchase 3,450,000 Shares of Common Stock (the "Primary Warrant"). Capitalized terms used and not otherwise defined herein have the meanings set forth in the Purchase Agreement.

B. LLCP may purchase a New Senior Facility Note (the "LLCP Senior Note") in connection with the establishment of the New Senior Credit Facility by the Company and the payment of the outstanding principal amount of and all accrued interest on the LLCP Senior Subordinated Note.

C. SFSC wishes to acquire from LLCP, and LLCP is willing to grant to SFSC, on the terms and subject to the conditions set forth herein, an option to purchase from LLCP (i) a participation interest in (A) the LLCP Senior Subordinated Note, to the extent the LLCP Senior Subordinated Note is outstanding or (B) the LLCP Senior Note, to the extent LLCP acquires a New Senior Facility Note equal, in either case to $2,500,000 of the principal amount of the LLCP Senior Subordinated Note or the LLCP Senior Note, as the case may be, together with the right to receive all accrued and unpaid interest on such principal amount on the date of purchase and all interest on such principal amount that accrues on or after the date of purchase (such participation interest being referred to as the "SFSC Note Participation") and (ii) a portion of the Primary Warrant (the "SFSC Warrant") representing the right to purchase 250,000 of the 3,450,000 Warrant Shares purchasable under the Primary Warrant (such number of Warrant Shares which may be purchased by SFSC being referred to herein as the "SFSC Warrant Shares").

D. In addition, CPS wishes to acknowledge and consent to the issuance by LLCP to SFSC of such option and to provide for the purchase of the SFSC Note Participation and the SFSC Warrant pursuant to the terms and conditions set forth in this Agreement.

Now, therefore, in consideration of the mutual covenants and agreements set forth herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. OPTION.

1.1 GRANT OF OPTION. On the terms and subject to the conditions set forth in this Agreement, LLCP hereby grants to SFSC the right and option (the "Option") to purchase from LLCP, in whole and not in part, the SFSC Note Participation and the SFSC Warrant (collectively, the "SFSC Securities"), without recourse to, or representation or warranty by LLCP, whether express or implied, other than as to the organization and authority of LLCP, title to the LLCP Note and the Primary Warrant (which shall be good and marketable title, free and clear of all Liens) and the absence of conflict with material agreements of LLCP. The exercise price (the "Exercise Price") for the SFSC Securities shall be equal to the sum of (a) $2,500,000, PLUS (b) all accrued and unpaid interest on the SFSC Note Participation through the date of purchase. The Option granted under this SECTION 1.1 is not transferable to any Person and may be exercised only by SFSC; PROVIDED, HOWEVER, that the Option may be transferred to, and exercised by, Charles E. Bradley, Sr. or a member of the Immediate Family of Charles E. Bradley Sr., or Charles E. Bradley, Jr., or a member of the Immediate Family of Charles E. Bradley, Jr., and to no other Person.

1.2 CONDITIONS TO EXERCISE. The obligation of LLCP to sell and assign to SFSC the SFSC Securities pursuant to the Option shall be subject to the following conditions precedent:

(a) No later than May 31, 1999, the shareholders of CPS shall have approved the issuance by CPS of the Excess Warrant Shares (as defined in SECTION 2.5 of the Primary Warrant);

(b) Stanwich shall have made an investment in the Company of at least $15,000,000 (whether through the purchase of debt or equity securities) generating net cash proceeds (after the payment of all fees and expenses) to the Company of at least $14,400,000 on terms and conditions approved by a majority of the disinterested members of the Board of Directors of CPS (and, if such investment is made through the purchase of debt securities, the indebtedness evidenced thereby shall be expressly made subordinate (A) to the LLCP Senior Subordinated Note, if the LLCP Senior Subordinated Note is then outstanding, to the same extent as Stanwich Indebtedness other than Stanwich Senior Subordinated Debt is subordinated to the LLCP Senior Subordinated Note as of the date hereof or (B) to the LLCP Senior Note, if the LLCP Senior Note is then outstanding, to the same extent as Senior Subordinated Indebtedness is subordinated to Senior Indebtedness as of the date hereof), which investment shall have been made either (i) within the one hundred twenty (120) day period immediately following the date hereof or (ii) within the two hundred seventy (270) day period immediately following the date hereof if, within the one hundred twenty (120) day period immediately following the date hereof, a third party makes an investment in the Company of at least $15,000,000 (whether through the purchase of debt or equity securities) generating net cash proceeds

(after the payment of all fees and expenses) to the Company of at least $14,400,000 on terms and conditions approved by a majority of the disinterested members of the Board of Directors of CPS (and if such investment is in the form of Senior Indebtedness or Senior Subordinated Indebtedness, such terms and conditions shall also be approved by LLCP, which approval shall not be unreasonably withheld); and

(c) The New Senior Facility Establishment Date shall have occurred.

1.3 EXERCISE PERIOD. The Option shall be exercisable only after SFSC has satisfied the conditions precedent set forth in SECTION 1.2 and only during the period (the "Exercise Period") commencing on the later to occur of (a) the date upon which SFSC satisfies the conditions precedent set forth in SECTION 1.2 in accordance with the terms thereof and (b) May 17, 1999, and ending on the earlier of (y) the date that is six (6) months after the date upon which the Exercise Period commences and (z) June 30, 2000 (the "Expiration Date").

1.4 NO REPRESENTATIONS OR WARRANTIES. LLCP shall not be responsible for, and makes no representation or warranty as to, any representation or warranty made by CPS in connection with the Purchase Agreement or any other Related Agreement, and shall not be responsible for, and makes no representation or warranty as to, the correctness as to form, due execution, legality, validity, enforceability, genuineness or sufficiency of the Purchase Agreement or the LLCP Senior Subordinated Note or the LLCP Senior Note or the collectability of the Indebtedness evidenced thereby or other amounts owing thereunder, or for any failure by CPS to perform its obligations thereunder.

2. EXERCISE.

2.1 METHOD OF EXERCISE.

(a) SFSC may exercise the Option granted hereunder by (a) delivering to LLCP a written Exercise Notice, in substantially the form of EXHIBIT A (the "Exercise Notice"), with a copy simultaneously delivered by SFSC to CPS, and (b) paying to LLCP an amount equal to the Exercise Price no later than 12:00 p.m. (noon) (Los Angeles time) on the date of exercise by wire transfer of immediately available funds to Bank of America, Century City, Private Banking, 2049 Century Park East, Los Angeles, California 90067; ABA No. 121000358; Account No. 11546-03239; Attention: Cheryl Stewart (or such other place of payment that LLCP may designate in writing to SFSC).

(b) Upon the exercise by SFSC of the Option in accordance with the terms and conditions of this Agreement, LLCP will be deemed to have sold and conveyed the SFSC Securities to SFSC and, in connection therewith, will promptly deliver to CPS the LLCP Senior Subordinated Note or the LLCP Senior Note, as the case may be, and the LLCP Warrant. Within three (3) Business Days following its receipt thereof, CPS shall deliver to SFSC a promissory note of like tenor to the LLCP Senior Subordinated Note or the LLCP Senior Note, as the case may be, representing the SFSC Note Participation and a warrant representing the SFSC Warrant, and (b)

deliver to LLCP a replacement note in the principal amount of $22,500,000 and a replacement warrant to purchase 3,200,000 shares of Common Stock.

2.2 INVESTOR STATUS. SFSC represents and warrants to LLCP and CPS on the date hereof, and shall represent and warrant at the time it exercises the Option pursuant to the terms hereof, that (a) SFSC is acquiring the SFSC Securities for its own account, for investment purposes, and not with a view to or for sale in connection with any distribution thereof, (b) SFSC understands that the SFSC Securities have not been registered under the Securities Act or registered or qualified under any state securities law in reliance upon specific exemptions therefrom, which exemptions may depend upon, among other things, the bona fide nature of SFSC's investment intent as expressed herein, (c) SFSC is an "accredited investor" (as such term is defined in Rule 501 of Regulation D under the Securities Act), (d) by reason of its business and financial experience, SFSC has such knowledge, sophistication and experience in business and financial matters as to be capable of evaluating the merits and risks of the investment in the SFSC Securities and has the capacity to protect its own interests and is able to bear the economic risk of such investment, (e) SFSC has had an opportunity to review the books and records of CPS and to ask questions of representatives of LLCP and CPS concerning the terms and conditions of the transactions contemplated by this Agreement and (f) the Option will be exercised in compliance with all applicable federal and state securities laws.

2.3 FURTHER ASSURANCES. SFSC hereby agrees to execute and deliver such agreements, instruments and other documents, in form and substance satisfactory to LLCP, and to take such actions as may be requested by LLCP, to implement and effect the intent and purpose of this Agreement.

3. MISCELLANEOUS

3.1 MODIFICATION AND WAIVER. This Agreement and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement is sought.

3.2 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if transmitted by telecopier with receipt acknowledged, or upon delivery, if delivered personally or by recognized commercial courier with receipt acknowledged, or upon the expiration of seventy-two (72) hours after mailing, if mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

(a) If to LLCP, at: c/o Levine Leichtman Capital Partners, Inc.
335 North Maple Drive, Suite 240
Beverly Hills, CA 90210
Attention: Arthur E. Levine, President

Telephone: (310) 275-5335
Facsimile: (310) 275-1441

(b) If to SFSC, at: Stanwich Financial Services Corp.
c/o Stanwich Partners, Inc.
One Stamford Landing
62 Southfield Avenue
Stamford, CT 06902
Attention: President
Telephone: (203) 325-0551
Facsimile: (203) 967-3923

(c) If to CPS, at: Consumer Portfolio Services, Inc.
16355 Laguna Canyon Road
Irvine, CA 92618
Attention: Charles E. Bradley, Jr., President
Telephone: (949) 753-6800
Facsimile: (949) 450-3951

or at such other address or addresses as LLCP, SFSC or CPS, as the case may be, may specify by written notice given in accordance with this SECTION 3.2.

3.3 NO SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties; PROVIDED, HOWEVER, that with respect to CPS, any Person succeeding to CPS by way of merger, consolidation, combination or acquisition of all or substantially all of CPS's assets shall assume all of the obligations of CPS hereunder, which obligations shall survive such merger, consolidation, combination or acquisition. Except as provided in SECTION 1.1, SFSC may not assign its rights or delegate its obligations hereunder without the prior written consent of LLCP.

3.4 DESCRIPTIVE HEADINGS. The descriptive headings of the paragraphs of this Agreement are for convenience of reference only and do not constitute a part of this Agreement and are not to be considered in construing or interpreting this Agreement. All section, preamble, recital, exhibit, schedule, clause and party references are to this Agreement unless otherwise stated. No party, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement, and all provisions of this Agreement shall be construed in accordance with their fair meaning, and not strictly for or against any party.

3.5 TERMINATION OF THIS AGREEMENT. This Agreement shall terminate upon the earlier of (a) the date upon which the Option shall have been exercised pursuant to the terms hereof and CPS shall have fulfilled its obligations under SECTION 2.1(b) and (b) the Expiration Date; PROVIDED, HOWEVER, that the representations and warranties of SFSC shall survive the termination of this Agreement.

3.6 GOVERNING LAW. In all respects, including all matters of construction, validity and performance, this Agreement and the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to

contracts made and performed in California, without regard to choice of law or conflicts of law principles.

3.7 ENTIRE AGREEMENT. This Agreement constitutes the full and entire agreement and understanding among the parties and supersedes all prior oral and written, and all contemporaneous oral, agreements and understandings related to the subject matter hereof.

3.8 SEVERABILITY. Any provision of this Agreement 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 provisions in any other jurisdiction.

3.9 COUNTERPARTS. This Agreement may be executed in two or more counterparts or by facsimile, each of which shall be deemed an original, but all of which together shall constitute one instrument.

3.10 REMEDIES. If any party fails to perform, comply with or observe any covenant or agreement to be performed, complied with or observed by it under this Agreement, any other party may proceed to protect and enforce its rights by suit in equity or action at law, whether for specific performance of any term contained in this Agreement or for an injunction against the breach of any such term or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right, or to take any one or more of such actions. The party that fails to perform shall pay all fees, costs, and expenses, including, without limitation, fees and expenses of attorneys, accountants and other experts retained by such other party, and all fees, costs and expenses of appeals, incurred or expended by such other party in connection with the enforcement of this Agreement or the collection of any sums due hereunder, whether or not suit is commenced. None of the rights, powers or remedies conferred under this Agreement shall be mutually exclusive, and each right, power or remedy shall be cumulative and in addition to any other right, power or remedy whether conferred by this Agreement or now or hereafter available at law, in equity, by statute or otherwise.

3.11 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, AND UNDERSTANDING THEY ARE WAIVING A CONSTITUTIONAL RIGHT, THE PARTIES WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL

TO, THIS AGREEMENT AND/OR ANY RELATED AGREEMENT OR THE TRANSACTIONS COMPLETED HEREBY OR THEREBY.

IN WITNESS WHEREOF, each party has caused this Agreement to be executed and issued by its duly authorized representatives on the date first above written.

LEVINE LEICHTMAN CAPITAL PARTNERS, INC.,
a California corporation

On behalf of LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P.,
a California limited partnership

By: /s/ LAUREN B. LEICHTMAN

Lauren B. Leichtman
Chief Executive Officer

STANWICH FINANCIAL SERVICES CORP.,
a Rhode Island corporation

By: /s/ CHARLES E. BRADLEY, SR.

Name: Charles E. Bradley, Sr.
Title:President

CONSUMER PORTFOLIO SERVICES, INC.,
a California corporation

By: /s/ CHARLES E. BRADLEY, JR.

Charles E. Bradley, Jr.,
President and Chief Executive Officer

By: /s/ JEFFREY P. FRITZ

Jeffrey P. Fritz
Senior Vice President and
Chief Financial Officer

EXHIBIT A

FORM OF EXERCISE NOTICE

(To be signed only upon exercise of the Option)

The undersigned hereby irrevocably elects to exercise the Option to purchase the SFSC Note Participation and the SFSC Warrant.

The undersigned represents that it is acquiring the SFSC Note Participation and the SFSC Warrant for its own account for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

Dated: ----------

STANWICH FINANCIAL SERVICES CORP.

By:

[TO BE NOTARIZED]