

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

Amendment No. 1 to
 FORM S-3 REGISTRATION STATEMENT
 UNDER THE SECURITIES ACT OF 1933

CONSUMER PORTFOLIO SERVICES, INC.
 (Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	6153 (Primary Standard Industrial Classification Code Number)	33-0459135 (I.R.S. Employer Identification No.)
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2 ADA
 IRVINE, CALIFORNIA 92618
 (714) 753-6800
 (Address, including zip code, and telephone number, including
 area code, of Registrant's principal executive offices)

CHARLES E. BRADLEY, JR.
 President
 Consumer Portfolio Services, Inc.
 2 Ada
 Irvine, California 92618
 (714) 753-6800
 (Name, address, including zip code, and telephone number,
 including area code, of agent for service)

WITH COPIES TO:

WILLIAM J. FEIS, ESQ. TROY & GOULD Professional Corporation 1801 Century Park East, Suite 1600 Los Angeles, California 90067 (310) 553-4441 (310) 201-4746 (fax)	DAVID S. KATZ, ESQ. ORRICK, HERRINGTON & SUTCLIFFE LLP Washington Harbour 3050 K Street, N.W. Washington, D.C. 20007 (202) 339-8497 (202) 339-8500 (fax)
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Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this Registration Statement.
 If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. /_/

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. /_/

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. /_/

If this Form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. /_/

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. /_/

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per security	Proposed maximum aggregate offering price(1)	Amount of registration fee
Participating Equity Notes-SM- due 2004 (partially convertible)	\$40,250,000	100%	\$40,250,000	\$12,196.97 (2)

- (1) Estimated solely for the purpose of calculating the registration fee.
- (2) Previously paid.

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Preliminary Note

This registration statement as initially filed covered \$40,250,000 of Participating Equity Notes due 2004 (partially convertible), and also an estimated 670,833 shares ("Underlying Shares") of common stock issuable upon exercise of the conversion feature of such notes. With this Amendment No. 1, the registrant is removing from registration the Underlying Shares.

CONSUMER PORTFOLIO SERVICES, INC.
 _____% PARTICIPATING EQUITY NOTES -SM- DUE 2004
 "PENS"-SM-

The _____% Participating Equity Notes-SM- ("PENS-SM-") due April __, 2004 (the "Notes") being offered hereby (the "Offering") will be unsecured general obligations of Consumer Portfolio Services, Inc., a California corporation (the "Company"). Interest on the Notes will be payable on the _____ day of each month (each, an "Interest Payment Date"), commencing April __, 1997. The Notes will be subordinated to all existing and future Senior Indebtedness (as defined herein) of the Company. As of December 31, 1996, there was approximately \$13.3 million of Senior Indebtedness outstanding.

The Notes are not redeemable at the option of the Company prior to April __, 2000. The Company may at its option elect to redeem the Notes from the registered holders of the Notes ("Holders"), in whole but not in part, at any time on or after April __, 2000 at 100% of their principal amount, subject to limited conversion rights, plus accrued interest to and including the date of redemption. At maturity or upon the exercise by the Company of an optional redemption each Holder will have the right to convert into common stock of the Company ("Common Stock") 25% of the aggregate principal amount of the Notes held by such Holder and if a Special Redemption Event occurs, Holders who require the redemption of their Notes will have the right to convert up to 25% of the principal amount thereof into Common Stock. In such events, 25% of each Note will be convertible into Common Stock, at the conversion price of \$_____ per share of Common Stock (equivalent to approximately ____ shares of Common Stock for each \$250 portion of each \$1,000 principal amount of Notes) as adjusted as described herein. The Company will be required, at the option of the Holder and at 100% of their principal amount plus accrued interest to and including the redemption date, to redeem Notes properly tendered following a Special Redemption Event. A Special Redemption Event is limited to certain events or transactions that result in a change of control of the Company. The Common Stock trades on the Nasdaq National Market under the symbol "CPSS." On February 27, 1997, the last reported sale price of the Common Stock was \$9.75 per share. See "Description of the Notes."

The Notes will be issued initially only in fully registered book-entry form. The minimum principal amount of Notes which may be purchased is \$1,000. Application has been made by the Company to have the Notes approved for listing on the New York Stock Exchange, Inc. Although the Underwriters have each indicated an intention to make a market in the Notes, none of the Underwriters is obligated to make a market in the Notes and any market making may be discontinued at any time at the sole discretion of such Underwriter. See "Underwriting."

SEE "RISK FACTORS" BEGINNING ON PAGE 11 FOR CERTAIN INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE NOTES OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discount(1)	Proceeds To Company (2)
Per Note	100%	%	%
Total(3)	\$35,000,000	\$	\$

- (1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting."
- (2) Before deducting offering expenses payable by the Company estimated to be \$_____.
- (3) The Company has granted the Underwriters a 30-day option to purchase up to an aggregate principal amount of \$5,250,000 of additional Notes on the same terms and conditions shown above, solely to cover over-allotments, if any. If the Underwriters exercise such option in full, the total Price to Public, Underwriting Discount and Proceeds to Company will be \$40,250,000, \$_____ and \$_____, respectively. See "Underwriting."

 The Notes are offered by the several Underwriters subject to prior sale when, as and if delivered to and accepted by the Underwriters and subject to their right to reject orders in whole or in part. It is expected that delivery of the Notes will be made at the offices of Piper Jaffray Inc. in Minneapolis, Minnesota on or about _____, 1997. The Notes will be issued initially as book-entry notes in the form of one fully registered global security deposited with or on behalf of The Depository Trust Company or its nominees ("DTC"). The Notes will not initially be issuable in definitive certificated form to any person other than DTC.

INCORPORATED

DAIN BOSWORTH
INCORPORATED

[Map of the United States. All states except Alaska, Arkansas, Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, South Dakota, Vermont and Wisconsin are highlighted.]

THE ABOVE MAP HIGHLIGHTS THE STATES IN WHICH CONSUMER PORTFOLIO SERVICES, INC. (THE "COMPANY") CURRENTLY PURCHASES RETAIL AUTOMOBILE INSTALLMENT CONTRACTS.

The Company will make available, without charge, a copy of its Annual Report to Shareholders to each person who requests a copy of such report. Such requests should be directed to Corporate Secretary, Consumer Portfolio Services, Inc., 2 Ada, Irvine, CA 92618.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE NOTES OFFERED HEREBY, INCLUDING TRANSACTIONS ON THE NEW YORK STOCK EXCHANGE, OVER-THE-COUNTER MARKET OR OTHERWISE. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING".

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND CONSOLIDATED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS, AND THE RELATED NOTES THERETO, INCLUDED ELSEWHERE IN THIS PROSPECTUS. EXCEPT AS OTHERWISE INDICATED, ALL INFORMATION IN THIS PROSPECTUS ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION WILL NOT BE EXERCISED. THE COMPANY IN 1995 CHANGED ITS FISCAL YEAR END FROM MARCH 31 TO DECEMBER 31. UNLESS THE CONTEXT OTHERWISE REQUIRES, "FISCAL 1992," "FISCAL 1993," "FISCAL 1994" AND "FISCAL 1995" REFER TO THE COMPANY'S FISCAL YEARS ENDED MARCH 31, 1992, 1993, 1994 AND 1995, RESPECTIVELY, THE "NINE-MONTH TRANSITION PERIOD" REFERS TO THE NINE-MONTH PERIOD ENDED DECEMBER 31, 1995, AND "FISCAL 1996" REFERS TO THE YEAR ENDED DECEMBER 31, 1996. EFFECTIVE MARCH 7, 1996, THE COMPANY SPLIT ITS OUTSTANDING SHARES OF COMMON STOCK TWO-FOR-ONE. REFERENCES HEREIN TO NUMBERS OF SHARES HAVE BEEN ADJUSTED TO REFLECT THAT SPLIT. UNLESS THE CONTEXT INDICATES OTHERWISE, ALL REFERENCES HEREIN TO THE "COMPANY" REFER TO CONSUMER PORTFOLIO SERVICES, INC., AND ITS SUBSIDIARIES. EACH PROSPECTIVE INVESTOR IS URGED TO READ THIS PROSPECTUS IN ITS ENTIRETY.

THE COMPANY

Consumer Portfolio Services, Inc. (the "Company") is a consumer finance company specializing in the business of purchasing, selling and servicing retail automobile installment contracts ("Contracts") originated by dealers ("Dealers") in the sale of new and used automobiles, light trucks and passenger vans. Through its purchases, the Company provides indirect financing to borrowers with limited credit histories, low incomes or past credit problems ("Sub-Prime Borrowers"). The Company serves as an alternative source of financing for Dealers, allowing sales to customers who otherwise might not be able to obtain financing from more traditional sources of automobile financing such as banks, credit unions, or finance companies affiliated with major automobile manufacturers.

Since its founding in March 1991, the Company has experienced significant growth. Its "Servicing Portfolio" (the aggregate principal amount of Contracts for which the Company performs collection services) increased from \$288.9 million at December 31, 1995 to \$505.9 million at December 31, 1996. Total revenue increased from \$24.3 million for the nine-month period ended December 31, 1995 to \$51.2 million for the year ended December 31, 1996. The Company uses a combination of employee and independent Dealer marketing representatives to solicit Dealers to submit Contracts to the Company for purchase. In the year ended December 31, 1996, the Company increased its number of Dealer marketing representatives from 40 to 48 and the number of Dealers with which it has its standard form dealer agreements ("Dealer Agreements") from 800 in 30 states to 2,171 in 41 states. Approximately 93.2% of these Dealers operate franchised car dealerships. In the year ended December 31, 1996, the Company purchased Contracts at an average rate of approximately \$29.3 million per month.

The Company believes the Contracts that it purchases have a larger principal balance and are secured by relatively newer cars than those purchased by many of the other finance companies in the sub-prime automobile market. Historically, the Company has charged Dealers a fixed acquisition fee and a percentage discount from the amount financed under the Contract ranging from 0% to 10%, depending on the perceived credit risk of the Contract. In the year ended December 31, 1996, the average original principal amount financed under Contracts purchased by the Company was approximately \$12,606 and the Contracts were purchased at an average discount of approximately 2.8%. Effective January 10, 1997, the Company began purchasing all Contracts without a percentage discount, charging Dealers only a flat acquisition fee for each Contract purchased. The flat fees instituted in January 1997 are larger than the fees previously charged in conjunction with percentage discounts, resulting in a similar net purchase price on a typical Contract. The fees vary based on the perceived credit risk and, in some cases, the interest rate on the Contract. Approximately 11.5% of the automobiles securing Contracts purchased during the year ended December 31, 1996, were new. In the aggregate, the average age of the automobiles securing the Contracts purchased in the year ended December 31, 1996 was 3.4 years. The average original term and Annual Percentage Rate ("APR") on Contracts purchased during the year ended December 31, 1996, were approximately 54.0 months and 20.4%, respectively. Based on information contained in borrower applications,

for Contracts purchased during the year ended December 31, 1996, the Company's average borrower at the time of purchase was approximately 37.0 years old, with approximately \$32,007 in average household income and an average of 4.6 years' history with his or her current employer.

The Company generates earnings and cash flow primarily from the servicing fees and gain on sale associated with the sales or securitizations of Contracts. In each securitization, the Company sells Contracts to a trust which, in turn, sells asset-backed securities to institutional investors ("Investors"). At the closing of each sale or securitization, the Company recognizes a gain on the sale of the Contracts to the trust. Over the life of the Contracts sold to trusts, the Company is eligible to receive excess cash flow distributions from the trust, in accordance with the terms of the related Spread Account (as defined herein), resulting from the difference between the interest received from the obligors on the Contracts and the interest paid to investors in the asset-backed securities, net of losses and expenses. As of December 31, 1996, the Company had sold \$570.3 million of Contracts to Investors through the issuance of asset-backed securities, and had also sold an aggregate of \$142.7 million of Contracts to General Electric Capital Corporation ("GECC") and Sun Life Insurance Company of America ("Sun Life") pursuant to purchase commitments. Since June 1996, the Company has sold its asset-backed securities in registered public offerings. The Company services all Contracts that it purchases and sells, for which it also receives monthly servicing fees. The Company occasionally purchases portfolios of Contracts in bulk ("Bulk Purchases") from other financial institutions. As of December 31, 1996, Contracts that were acquired in Bulk Purchases and not yet sold account for 0.2% of the Servicing Portfolio.

The Company currently operates from a centralized office in Irvine, California, and utilizes highly sophisticated, automated data processing and collection systems. This centralized structure, combined with significant servicing fees and gains on sales, enabled it to achieve a return on average equity of 28.6% for the year ended December 31, 1996. To better accommodate increased servicing and collections demand relating to increases in its Servicing Portfolio, the Company plans to open in March 1997 a satellite collections facility in Chesapeake, Virginia.

The Company attributes its growth to its: (i) consistent and thorough underwriting practices; (ii) ability to pay Dealers competitive purchase prices for Contracts; (iii) reliability as a funding source and the timely communication of credit decisions to Dealers; and (iv) control of losses through an aggressive monitoring and collection program. The Company's high penetration autodialer telephone system and its interface to the Contract servicing computers provide portfolio performance monitoring capabilities and efficiency in contacting delinquent borrowers. At December 31, 1996, the aggregate amount of contractual delinquencies (greater than 30 days) as a percentage of the month-end gross Servicing Portfolio balance was 6.8% (excluding Bulk Purchases of Contracts not yet sold). Net charge-offs (excluding Bulk Purchases and uninsured casualty losses) as a percentage of the average Servicing Portfolio (excluding Bulk Purchases of Contracts not yet sold) was 5.1%. The Company's senior management, including those with responsibility for underwriting, collections, Dealer marketing, systems and financial accounting, have an average of approximately 13 years of experience in the consumer finance industry and nine years of experience in Sub-Prime automobile finance.

The structures under which the Company sells its Contracts generally require that the Company establish and maintain certain credit enhancements on a pool-specific basis for the benefit of Investors in the asset-backed securities. Generally, the Company makes an initial cash deposit to an account (a "Spread Account") which is controlled by a trustee and which is pledged to support the asset-backed securities backed by the related Contracts. During the term of each securitization, cash flows in excess of those necessary to pay investor principal and interest and the expenses of the trust are deposited in the Spread Account related to that trust until such time as the Spread Account balance reaches a predetermined percentage of the outstanding related Contracts. To the extent cash in excess of the predetermined level is generated, such cash is either transferred to cover deficiencies, if any, in Spread Accounts for other pools, or is released to the Company. In each securitization transaction since June 1995, the Company has issued a subordinated class of securities (a "B Piece") representing 5.0% of the principal balance of the Contracts in each securitization pool. Cash flows payable on the B Piece are subordinate to those payable on the senior class of asset-backed securities, which represent 95% of the principal balance of the securitization pool. The aggregate of the Spread Accounts and the one retained B Piece are recorded by the Company on its balance sheet as investments

in credit enhancements, which equaled approximately 9.0% of the servicing portfolio subject to recourse at December 31, 1996. Structures for future securitization transactions may require higher or lower levels of credit enhancement than past structures.

The principal components of the Company's strategy are to (i) maintain consistent underwriting standards and portfolio performance; (ii) continue to expand the volume of Contracts purchased and serviced by increasing the number of Dealers, states and geographic areas the Company services; (iii) control and/or reduce its cost of funds; and (iv) maintain and strengthen its relationship with its Dealers through the development of other products and services for its Dealers.

The Company was incorporated as a California corporation in March 1991. The Company's offices are located at 2 Ada, Irvine, CA 92618, and its telephone number is (714) 753-6800.

THE OFFERING

Notes offered. \$35,000,000 aggregate principal amount of ___% Participating Equity Notes-SM-, ("PENS-SM-"),* due April ____, 2004, (the "Notes"), plus an Underwriters' over-allotment option to purchase up to an additional \$5,250,000 aggregate principal amount of Notes. See "Description of the Notes" for a more detailed description of the Notes offered hereby.

Denomination \$1,000 and any integral multiple thereof.

Maturity date. April ____, 2004.

Interest Interest at the rate of ___% per annum is payable monthly on the ____day of each month, commencing April ____, 1997. The first interest payment will represent interest from the date of original issuance to and including April ____, 1997.

Conversion At maturity or in connection with a redemption of the Notes at the option of the Company or a redemption following a Special Redemption Event, 25% of the principal amount of each Note is convertible, in whole but not in part, at the option of the Holder, into Common Stock at the rate of \$____ per share, subject to adjustment under certain circumstances. See "Description of the Notes -- Conversion Rights".

Redemption at option of the Company. The Notes may not be redeemed at the Company's option prior to April ____, 2000. Thereafter, the Company may, at its option, elect to redeem the Notes, in whole but not in part, at any time, upon not less than 30 days' notice to the Holder. The redemption price will be 100% of the principal amount of any redeemed Notes, in each case plus accrued interest to and including the redemption date. See "Description of the Notes -- Redemption at Option of the Company."

Special Redemption In the event of a Special Redemption Event, each Holder will have the right, at the Holder's option, to require the Company to redeem the Holder's Notes, in whole but not in part, at 100% of the principal amount plus accrued interest to and including the date of redemption. The term Special Redemption Event is limited to certain events or transactions that result in a change of control of the Company. See "Description of the Notes -- Holders' Right to Redemption After Special Redemption Event."

Subordination. The Notes are unsecured and subordinated in right of payment to all existing and future Senior Indebtedness of the Company, including amounts outstanding under the Company's existing Warehouse Line of Credit (as defined herein). With respect to any distributions that the Company might receive from its subsidiaries, the Notes are also effectively subordinated to the claims of the creditors of such subsidiaries. As of December 31, 1996, there was approximately \$13.3 million of Senior Indebtedness outstanding. See "Description of the Notes -- Subordination."

* "Participating Equity Notes" and "PENS" are service marks of Piper Jaffray Inc.

Other subordinated debt. The Notes rank equally with \$20 million of previously issued subordinated debt of the Company ("1995 Subordinated Debt"), all of which remains outstanding. See "Description of Notes -- 1995 Subordinated Debt."

Rating The Notes will be rated below investment grade by Duff & Phelps Credit Rating Co. ("Duff & Phelps"). Ratings are not a recommendation to purchase, hold or sell the Notes, as ratings do not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to Duff & Phelps by the Company and obtained from other sources. The ratings may be changed, suspended or withdrawn at any time as a result of changes in, or unavailability of, such information.

Listing. The Company has applied for listing of the Notes on the New York Stock Exchange, Inc.

Certain covenants of the Company In the Indenture (as defined herein), the Company agrees to certain limitations on dividends and additional indebtedness and to certain restrictions on consolidation, merger or transfer of all or substantially all of its assets. See "Description of the Notes -- Limitations on Additional Indebtedness," "-- Limitation on Restricted Payments" and "-- Consolidation, Merger or Transfer."

Registration The Notes will be initially issued only in fully registered book-entry form. The Notes will not initially be issuable in definitive certificated form to any person other than The Depository Trust Company or its nominees. See "Description of the Notes -- Book-Entry System."

Use of proceeds. Proceeds from the sale of the Notes will be used to increase the amount of Contracts that the Company can acquire and hold for sale in securitization transactions, to fund credit enhancements for such transactions, for other working capital needs and for general corporate purposes. See "Use of Proceeds."

Trustee. Bankers Trust Company, New York, New York.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	YEAR ENDED	NINE-MONTH	FISCAL YEAR ENDED MARCH 31		
	DECEMBER 31	TRANSITION	-----		
	1996	PERIOD	1995	1994(1)	1993
	-----	ENDED	-----	-----	-----
		12/31/95			
			(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		
STATEMENT OF OPERATIONS DATA:					
Net gain on sale of Contracts.	\$23,321	\$11,549	\$9,455	\$5,425	\$523
Servicing fees	16,169	6,475	7,201	3,556	1,538
Interest income.	11,704	6,230	5,849	1,443	400
Total revenue.	51,194	24,254	22,505	10,424	2,461
Operating expenses	27,502	11,597	11,358	11,712(1)	3,963
Income taxes	9,595	5,082	4,481	490	0
Net income (loss).	\$14,097	\$7,575	\$ 6,666	\$ (1,778)	\$ (1,502)
Primary net income (loss) per common share.	\$.95	\$.53	\$.60	\$ (.21)	\$ (.24)
Fully diluted net income (loss) per common share.	\$.93	\$.52	\$.56	\$ (.21)	\$ (.24)
OTHER DATA:					
Principal amount of Contracts purchased during period (excluding Bulk Purchases).	\$351,350	\$150,943	\$150,573	\$ 53,103	\$ 19,484
Principal amount of Contracts sold during period	340,990	155,719	140,617	58,095	14,103
Outstanding Servicing Portfolio at end of period(2)	505,934	288,927	192,800	63,208	20,436
Net charge-offs(3)	20,328	8,331	4,349	964	276
Servicing fees as a percentage of average principal balance of Contracts being serviced(4)	4.1%	3.6%	5.3%	7.5%	4.7%
Delinquencies as a percentage of gross Servicing Portfolio at end of period(5)(6).	6.8%	5.1%	2.5%	1.3%	1.0%
Delinquencies and amount in repossession as a percent of gross Servicing Portfolio(5)(6) and (11).	9.2%	7.9%	4.4%	2.0%	2.0%
Net charge-offs as a percentage of average Servicing Portfolio(3)(6)	5.1%	4.6%	3.4%	2.5%	2.2%
Operating expenses (before interest and provisions for credit losses) as a percentage of average Servicing Portfolio(2)(4)	4.8%	4.4%	5.4%	28.9%	31.5%
Servicing subject to recourse provisions(6)	483,106	268,163	169,331	62,464	14,736
Discounted allowance for credit losses as a percentage of servicing subject to recourse provisions(7)	9.7%	8.7%	8.5%	8.1%	10.2%
Ratio of earnings to fixed charges(8)(9)	5.0x	5.5x	4.2x	-	-
Cash flows used in operating activities.	\$(9,661)	\$(18,533)	\$(6,115)	\$(2,816)	\$(6,718)

BALANCE SHEET DATA:

AS OF DECEMBER 31, 1996

	ACTUAL	PRO FORMA AS ADJUSTED (10)
	(IN THOUSANDS)	
Cash	\$ 154	\$ 20,219
Investments in credit enhancements	43,597	43,597
Contracts held for sale	21,657	21,657
Excess servicing receivables	23,654	23,654
Total assets	101,946	123,681
Total liabilities	44,989	63,724
Total shareholders' equity	56,957	59,957

(1) In October 1992, as a condition to the initial public offering of Common Stock of the Company, the then majority shareholder of the Company deposited 1,200,000 shares of Common Stock (the "Escrow Shares") in escrow. The escrow agreement provided that part or all of the Escrow Shares would be released if the Company's net income after taxes (as defined in the escrow agreement) or the average market price of the Common Stock for specified periods exceeded specified levels. The Company's net income (as defined in the escrow agreement) for fiscal 1994 (prior to the accounting effect of the release of the Escrow Shares) exceeded the specified level and, accordingly, all 1,200,000 Escrow Shares were released. The release of the Escrow Shares was deemed compensatory for accounting purposes, resulting in a one-time, non-cash charge of \$6,450,000 against earnings for fiscal 1994. Without that charge, net income, primary net income per share and fully diluted net income per share for fiscal 1994 would have been \$4,672,000, \$.46 and \$.44, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Fiscal Year Ended March 31, 1995 Compared to Fiscal Year Ended March 31, 1994 -- Expenses."

(2) Includes the outstanding principal amount of all Contracts purchased by the Company, including Contracts subsequently sold by the Company which it continues to service. Excludes Contracts serviced for third parties but not purchased by the Company. As of December 31, 1994, the Company had ceased servicing Contracts for third parties.

(3) Net charge-offs include the remaining principal balance, after the application of the net proceeds from the liquidation of the vehicle (excluding accrued and unpaid interest). Post-liquidation amounts received on previously charged-off Contracts are applied to the period in which the related Contract was originally charged off. Excludes Bulk Purchases not yet sold and uninsured casualty losses.

(4) The percentages set forth for the nine-month transition period ended December 31, 1995 are computed using annualized operating data, which do not necessarily represent comparable data for a full twelve-month period.

(5) The Company considers a Contract delinquent when an obligor fails to make at least 90% of a contractually due payment by the following due date and the vehicle securing the Contract has not been repossessed. All amounts and percentages are based on the full amount remaining to be repaid on each Contract, including, for rule of 78s Contracts, any unearned finance charges. Excludes Bulk Purchases not yet sold.

(6) Includes the outstanding principal amount of all Contracts purchased and subsequently sold by the Company which it continues to service. Excludes Contracts serviced for third parties and Contracts purchased but not yet sold by the Company.

(7) Discounted allowance for credit losses represents the discounted present value, calculated at a risk-free rate, of future estimated credit losses as determined by the Company in conjunction with the recognition of its gains on sale of Contracts.

(8) The ratio of earnings to fixed charges has been computed by dividing income before taxes and fixed charges by fixed charges. Fixed charges include interest expense and the portion of rent expense that is representative of the interest factor (deemed by the Company to be one-third).

(9) The Company incurred losses in fiscal 1994 and fiscal 1993. Earnings were inadequate to cover fixed charges by \$1.3 million and \$1.5 million for fiscal 1994

and fiscal 1993, respectively. Adjusted to eliminate the one-time non-cash charge of \$6,450,000 referred to in footnote (1) above, the ratio of earnings to fixed charges for fiscal 1994 would have been 10.1x.

(10) Adjusted to reflect (i) the conversion into 480,000 shares of Common Stock of an outstanding \$3 million convertible subordinated note, which conversion was effected on January 17, 1997, and (ii) the sale of the Notes offered hereby and the application of the estimated net proceeds therefrom, including a paydown of a line of credit on which \$13,265,000 was owed at December 31, 1996. See "Use of Proceeds" and "Capitalization."

(11) Amount in repossession represents financed vehicles which have been repossessed but not yet liquidated.

RISK FACTORS

THE NOTES OFFERED HEREBY ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK, INCLUDING, BUT NOT NECESSARILY LIMITED TO, THE RISK FACTORS DESCRIBED BELOW. EACH PROSPECTIVE INVESTOR SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS INHERENT IN AND AFFECTING THE BUSINESS OF THE COMPANY AND THE OFFERING BEFORE MAKING AN INVESTMENT DECISION. WHEN USED IN THIS PROSPECTUS, THE WORDS "MAY," "WILL," "EXPECT," "ANTICIPATE," "CONTINUE," "ESTIMATE," "PROJECT," "INTEND" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934 REGARDING EVENTS, CONDITIONS AND FINANCIAL TRENDS THAT MAY AFFECT THE COMPANY'S FUTURE PLANS OF OPERATIONS, BUSINESS STRATEGY, OPERATING RESULTS AND FINANCIAL POSITION. PROSPECTIVE INVESTORS ARE CAUTIONED THAT ANY FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ARE SUBJECT TO RISKS AND UNCERTAINTIES AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE INCLUDED WITHIN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS. SUCH FACTORS ARE DESCRIBED UNDER THE HEADINGS "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS", AND "THE COMPANY" AND IN THE RISK FACTORS SET FORTH BELOW.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY. The Company requires significant operating cash to purchase Contracts. As a result of the Company's expansion since inception and its program of securitizing and selling Contracts, the Company's cash requirements have in the past exceeded cash generated from operations. The Company's primary operating cash requirements include the funding of (a) purchases of Contracts pending their pooling and sale, (b) Spread Accounts in connection with sales or securitizations of Contracts, (c) fees and expenses incurred in connection with its sales and securitizations of Contracts, (d) tax payments and (e) ongoing administrative and other operating expenses. Net cash used in operating activities during fiscal 1995, the nine-month transition period ended December 31, 1995, and the year ended December 31, 1996 was \$6.1 million, \$18.5 million, and \$9.7 million, respectively. The Company has obtained these funds in three ways: (a) loans and warehouse financing arrangements, pursuant to which Contracts are financed on a temporary basis; (b) securitizations or sales of Contracts, pursuant to which Contracts are sold; and (c) external financing. At December 31, 1996 the Company had cash of approximately \$154,000. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

CASH FLOWS ASSOCIATED WITH SECURITIZATION TRUSTS. Under the financial structures the Company has used to date in its securitizations, certain excess servicing cash flows generated by the Contracts are retained in a Spread Account within the securitization trusts to provide liquidity and credit enhancement. While the specific terms and mechanics of the Spread Account can vary slightly depending on each transaction, the Company's agreements with Financial Security Assurance, Inc. ("FSA"), the financial guaranty insurer that has provided credit enhancements in connection with the Company's securitizations since June 1994, generally provide that the Company is not entitled to receive any excess servicing cash flows unless certain Spread Account balances have been attained and/or the delinquency or losses related to the Contracts in the pool are below certain predetermined levels. In the event delinquencies and losses on the Contracts exceed such levels, the terms of the securitization may require increased Spread Account balances to be accumulated for the particular pool; may restrict the distribution to the Company of excess cash flows associated with other pools in which asset-backed securities are insured by FSA; or, in certain circumstances, may require the transfer of servicing on some or all of the Contracts in FSA-insured pools to another servicer. The imposition by FSA of any of these conditions could materially adversely affect the Company's liquidity and financial condition. In the past, delinquency and loss levels on some pools have attained levels which temporarily resulted in increased Spread Account levels for those pools. As of December 31, 1996, all FSA-insured pools were performing within the guidelines required by their related insurance policies.

DEPENDENCE ON WAREHOUSE FINANCING. One of the Company's primary sources of financing is its \$100.0 million warehouse line of credit (the "Warehouse Line of Credit"), under which the Company borrows against Contracts held for sale, pending their sale in securitization transactions. The Warehouse Line of Credit expires in 1998. The Company expects to be able to maintain existing warehouse arrangements (or to obtain replacement or additional financing) as current arrangements expire or become

fully utilized; however, there can be no assurance that such financing will be obtainable on favorable terms. To the extent that the Company is unable to maintain its existing Warehouse Line of Credit or is unable to arrange new warehouse lines of credit, the Company may have to curtail Contract purchasing activities, which could have a material adverse effect on the Company's financial condition and results of operations.

DEPENDENCE ON SECURITIZATION PROGRAM. The Company is dependent upon its ability to continue to pool and sell Contracts in order to generate cash proceeds for new purchases. Adverse changes in the market for securitized Contract pools, or a substantial lengthening of the warehousing period, would burden the Company's financing capabilities, could require the Company to curtail its purchase of Contracts, and could have a material adverse effect on the Company. In addition, as a means of reducing the percentage of cash collateral that the Company would otherwise be required to deposit and maintain in Spread Accounts, all of the Company's securitizations since June 1994 have utilized credit enhancement in the form of financial guaranty insurance policies issued by FSA to achieve "AAA/Aaa" ratings for the asset-backed securities that have been sold to investors. The Company believes that financial guaranty insurance policies reduce the costs of securitizations relative to alternative forms of credit enhancements available to the Company. FSA is not required to insure Company-sponsored securitizations and there can be no assurance that it will continue to do so or that future securitizations will be similarly rated. Similarly, there can be no assurance that any securitization transaction will be available on terms acceptable to the Company, or at all. The timing of any securitization transaction is affected by a number of factors beyond the Company's control, any of which could cause substantial delays, including, without limitation, market conditions and the approval by all parties of the terms of the securitization. Any delay in the sale of a pool of Contracts beyond a quarter-end could reduce the gain on sale recognized in such quarter and could result in decreased earnings or possible losses for such quarter being reported by the Company. See "Business -- Purchase and Sale of Contracts -- Securitization and Sale of Contracts to Institutional Investors."

ECONOMIC CONSIDERATIONS

GENERAL. The Company's business is directly related to sales of new and used automobiles, which are affected by employment rates, prevailing interest rates and other domestic economic conditions. Delinquencies, foreclosures and losses generally increase during economic slowdowns or recessions. Because of the Company's focus on Sub-Prime Borrowers, the actual rates of delinquencies, repossessions and losses on such Contracts could be higher under adverse economic conditions than those currently experienced in the automobile finance industry in general. Any sustained period of economic slowdown or recession could adversely affect the Company's ability to sell or securitize pools of Contracts. The timing of any economic changes is uncertain, and sluggish sales of automobiles and weakness in the economy could have an adverse effect on the Company's business and that of the Dealers from which it purchases Contracts.

CREDITWORTHINESS OF BORROWERS. The Company specializes in the purchase, sale and servicing of Contracts to finance automobile purchases by Sub-Prime Borrowers, which entail a higher risk of non-performance, higher delinquencies and higher losses than Contracts with more creditworthy borrowers. While the Company believes that the underwriting criteria and collection methods it employs enable it to control the higher risks inherent in Contracts with Sub-Prime Borrowers, no assurance can be given that such criteria and methods will afford adequate protection against such risks. Since inception, the Company has expanded its operations significantly and has rapidly increased its Servicing Portfolio. Because there is limited performance data available with respect to that portion of the Company's Servicing Portfolio purchased most recently, historical delinquency and loss statistics are not necessarily indicative of future performance. The Company has experienced fluctuations in the delinquency and charge-off performance of its Contracts, including an upward trend for each. The Company believes, however, that such fluctuations are normal and that the upward trend is the result of the seasoning of the Servicing Portfolio. In the event that portfolios of Contracts sold and serviced by the Company experience greater defaults, higher delinquencies or higher losses than anticipated, the Company's earnings could be negatively impacted. In addition, the Company bears the entire risk of loss on Contracts it holds for sale. A larger number of defaults than anticipated could also result in adverse changes in the structure of the Company's future securitization transactions, such as increased interest rates on the asset-backed securities issued in those transactions. See "Business -- Purchase and Sale of Contracts -- Contract Purchase Criteria" and "Business -- Servicing of Contracts."

GEOGRAPHIC CONCENTRATION OF BUSINESS. For the year ended December 31, 1996, the Company purchased 25.8% of its Contracts from Dealers located in California, and its prospects are dependent, in part, upon economic conditions prevailing in this state. Such geographic concentration increases the potential impact of collection disruptions and casualty losses on the financed vehicles which could result from regional economic or catastrophic events. Although the percentage of the Servicing Portfolio purchased from Dealers in California has been declining as the Company's volume of Contract purchases has increased, at December 31, 1996, 58.0% of the Servicing Portfolio represents obligations of automobile purchasers in California. Accordingly, an economic slowdown in California could result in a decline in the availability of Contracts for purchase by the Company as well as an increase in delinquencies and repossessions. Such conditions could have a material adverse effect on the Company's revenue and results of operations. See "Business -- Purchase and Sale of Contracts--Dealer Contract Purchase Program."

INCREASES IN INTEREST RATES. The Company's profitability is determined by, among other things, the difference between the rate of interest charged on the Contracts purchased by the Company and the pass-through rate of interest (the "Pass-Through Rate") payable to investors on portfolios of Contracts sold by the Company. The Contracts purchased by the Company generally bear the maximum finance charges permitted by applicable state law. The fixed Pass-Through Rates payable to investors on portfolios of Contracts sold by the Company are based on interest rates prevailing in the market at the time of sale. Consequently, increases in market interest rates tend to reduce the "spread" or margin between Contract finance charges and the Pass-Through Rates required by investors and, thus, the potential operating profits to the Company from the purchase, sale and servicing of Contracts. Operating profits expected to be earned by the Company on portfolios of Contracts previously sold are insulated from the adverse effects of increasing interest rates because the Pass-Through Rates on such portfolios were fixed at the time the Contracts were sold. Any future increases in interest rates would likely increase the Pass-Through Rates for future portfolios sold and could have a material adverse effect on the Company's results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

PREPAYMENT AND DEFAULT RISK. Gains from the sale of Contracts in securitization transactions have constituted a significant portion of the net earnings of the Company and are likely to continue to represent a significant portion of the Company's net earnings. A portion of the gains are based in part on management's estimates of future prepayment and default rates and other considerations in light of then-current conditions. If actual prepayments with respect to Contracts occur more quickly than was projected at the time such Contracts were sold, as can occur when interest rates decline, or if default rates are greater than projected at the time such Contracts were sold, a charge to earnings may be required and would be taken in the period of adjustment. If actual prepayments occur more slowly or if default rates are lower than estimated with respect to Contracts sold, total revenue would exceed previously estimated amounts. See "Business--Servicing of Contracts."

COMPETITION

The automobile financing business is highly competitive. The Company competes with a number of national, local and regional finance companies. In addition, competitors or potential competitors include other types of financial services companies, such as commercial banks, savings and loan associations, leasing companies, credit unions providing retail loan financing and lease financing for new and used vehicles and captive finance companies affiliated with major automobile manufacturers such as General Motors Acceptance Corporation, Ford Motor Credit Corporation, Chrysler Credit Corporation and Nissan Motors Acceptance Corporation. Many of the Company's competitors and potential competitors possess substantially greater financial, marketing, technical, personnel and other resources than the Company. Moreover, the Company's future profitability will be directly related to the availability and cost of its capital relative to that of its competitors. The Company's competitors and potential competitors include far larger, more established companies that have access to capital markets for unsecured commercial paper and investment grade rated debt instruments, and to other funding sources which may be unavailable to the Company. Many of these companies also have long-standing relationships with Dealers and may provide other financing to Dealers, including floor plan financing for the Dealers' purchases of automobiles from manufacturers, which is not offered by the Company. There can be no assurance that the Company will be able to continue to compete

successfully. See "Business -- Competition."

MANAGEMENT OF RAPID GROWTH

The Company has experienced rapid growth and expansion of its business. The Company's ability to support and manage continued growth is dependent upon, among other things, its ability to hire, train, supervise and manage the increased personnel. Furthermore, the Company's ability to manage portfolio delinquency and loss rates is dependent upon the maintenance of efficient collection procedures, adequate collection staffing, internal controls, and automated systems. There can be no assurance that the Company's personnel, procedures, staff, internal controls, or systems will be adequate to support such growth. See generally "Business."

SUBORDINATION OF THE NOTES AND ENCUMBRANCES ON THE COMPANY'S ASSETS

The Notes are unsecured and subordinated in right of payment to all existing and future Senior Indebtedness of the Company, including indebtedness under the Warehouse Line of Credit, and indebtedness that may be incurred under the standby line of credit associated with the Warehouse Line of Credit. The standby line is secured by substantially all of the Company's assets. Therefore, in the event of the liquidation, dissolution, or reorganization of or any similar proceedings regarding the Company, the assets of the Company will be available to pay obligations on the Notes (and any other obligations ranking PARI PASSU with the Notes, including, without limitation, the presently existing subordinated debt) only after all Senior Indebtedness has been paid in full, and there may not be sufficient assets to pay any or all amounts due on the Notes. If the Company becomes insolvent or is liquidated, or if payment under the Warehouse Line of Credit or the associated standby line of credit is accelerated, the lenders under the lines of credit, as the holders of security interests in substantially all of the Company's assets, would be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to these lines of credit. See "Description of the Notes." Any right of the Company to receive assets of any of its subsidiaries upon the latter's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of creditors of such subsidiaries, including claims of warehouse lenders, FSA and any other credit enhancement providers, and holders of asset-backed securities that may be secured by Spread Accounts before such assets may be available for distribution to the Company. As a result, there can be no assurance that in such event there will be resources available to repay the holders of the Notes in whole or in part.

RESTRICTIONS IMPOSED BY THE TERMS OF THE COMPANY'S INDEBTEDNESS

The Warehouse Line of Credit and the indentures governing the Notes ("Indenture") and the 1995 Subordinated Debt ("1995 Indenture") contain covenants limiting, among other things, the nature and amount of additional indebtedness that the Company may incur. These covenants could limit the Company's ability to withstand competitive pressures or adverse economic conditions, make acquisitions or take advantage of business opportunities that may arise. Failure to comply with these covenants could, as provided in the Warehouse Line of Credit, permit the lender under the Warehouse Line of Credit to accelerate payment of the amounts borrowed under the facility or, as provided in the 1995 Indenture, permit the indenture trustee thereunder to accelerate payment of the 1995 Subordinated Debt. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

POTENTIAL FOR ADDITIONAL SENIOR INDEBTEDNESS

Under the Indenture and the 1995 Indenture, the Company will be permitted to incur substantial additional senior indebtedness. Based on the Company's consolidated stockholders' equity as of December 31, 1996, the Company would be permitted to borrow approximately \$328 million in Senior Indebtedness. Effective January 17, 1997, an outstanding \$3 million convertible subordinated note was converted into 480,000 shares of the Company's Common Stock. The sale of the Notes will increase the Company's outstanding subordinated indebtedness from \$20.0 million to \$55.0 million (assuming no exercise of the Underwriters' over-allotment option). The interest expense associated with the Notes and the potential interest expense associated with the maximum permitted Senior Indebtedness could substantially increase the

Company's fixed charge obligations and could potentially limit the Company's ability to meet its obligations under the Notes. See "Description of the Notes."

ABILITY TO REPAY NOTES UPON ACCELERATED REDEMPTION

Upon the occurrence of a Special Redemption Event (certain events or transactions that result in a change in control of the Company), each Holder will have the right to require that the Company purchase the Holder's Notes at 100% of the principal amount plus accrued interest. If a Special Redemption Event should occur, there can be no assurance that the Company will have available funds sufficient to pay that purchase price for all of the Notes that might be delivered by Holders seeking to exercise such rights. In the event the Company is required to purchase outstanding Notes pursuant to a Special Redemption Event, the Company expects that it would seek third party financing to the extent it does not have available funds to meet its purchase obligations. However, there can be no assurance that the Company would be able to obtain such financing, and, if obtained, the terms of any such financing may be less favorable than the terms of the Notes. See "Description of the Notes."

LIMITED COVENANTS IN THE INDENTURE

The Indenture contains financial and operating covenants including, among others, limitations on the Company's ability to pay dividends, to incur additional indebtedness and to engage in certain transactions, including consolidations, mergers or transfers of all or substantially all of its assets. The covenants in the Indenture are limited and are not designed to protect holders of the Notes in the event of a material adverse change in the Company's financial condition or results of operations. See "Description of the Notes."

LITIGATION

Because of the consumer-oriented nature of the industry in which the Company operates and the application of certain laws and regulations, industry participants are regularly named as defendants in class-action litigation involving alleged violations of federal and state laws and regulations and consumer law torts, including fraud. Many of these actions involve alleged violations of consumer protection laws. Although the Company is not involved in any material litigation, a significant judgment against the Company or within the industry in connection with any such litigation could have a material adverse effect on the Company's financial condition and results of operations. See "Business - Government Regulation."

DEPENDENCE ON DEALERS

The Company is dependent upon establishing and maintaining relationships with unaffiliated Dealers to supply it with Contracts. As of December 31, 1996 the Company was a party to Dealer Agreements with 2,171 Dealers. During the year ended December 31, 1996, no Dealer accounted for more than 2.3% of the Contracts purchased by the Company. The Dealer Agreements do not require Dealers to submit a minimum number of Contracts for purchase by the Company. The failure of Dealers to submit Contracts that meet the Company's underwriting criteria would have a material adverse effect on the Company's financial condition and results of operations. See "Business -- Purchase and Sale of Contracts -- Dealer Contract Purchase Program."

CONTRACTUAL RECOURSE BY PURCHASERS OF CONTRACTS

Purchasers of Contracts have recourse against the Company in the event of the Company's breach of its representations and warranties to the purchaser (relating to the enforceability and validity of the Contracts) or certain defaults with respect to the Contracts. In such cases, recourse is limited to requiring the Company to repurchase the Contracts in question. In the event the Company is required to repurchase a Contract, the Company will generally have similar recourse against the Dealer from which it purchased the Contract; however, there can be no assurance that any Dealer will have the financial resources to satisfy its repurchase obligations to the Company. Subject to any recourse against Dealers, the Company will bear any loss on repossession and resale of vehicles financed under Contracts repurchased by it from investors, which could have a material adverse effect on the financial condition and results of operations of the Company. See "Business -- Purchase and Sale of Contracts -- Sale of Contracts to Institutional Investors."

GOVERNMENT REGULATION

The Company's business is subject to numerous federal and state consumer protection laws and regulations, which, among other things: (i) require the Company to obtain and maintain certain licenses and qualifications; (ii) limit the interest rates, fees and other charges the Company is allowed to charge; (iii) limit or prescribe certain other terms of its Contracts; (iv) require the Company to provide specified disclosures; and (v) regulate certain servicing and collection practices and define its rights to repossess and sell collateral. An adverse change in existing laws or regulations, or in the interpretation thereof, the promulgation of any additional laws or regulations, the failure to comply with such laws and regulations or the expansion of the Company's business into jurisdictions with more stringent requirements could have a material adverse effect on the Company's financial condition and results of operations. See "Business -- Government Regulation."

OPERATING HISTORY

The Company incurred net losses for each of fiscal 1993 and 1994 of \$1.5 million, and \$1.8 million, respectively. Losses incurred through the end of fiscal 1993 were attributable primarily to the Company's relatively high degree of fixed operating costs as compared to its revenue in those years. The net loss for fiscal 1994 was attributable entirely to a one-time, non-cash accounting charge reflecting the release of the Escrow Shares. Although the Company generated net income of \$6.7 million for fiscal 1995, \$7.6 million for the nine-month transition period ended December 31, 1995, and \$14.1 million for the year ended December 31, 1996, there can be no assurance that the Company will not sustain losses in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations."

LIMITED MARKET

Prior to the Offering, there has been no market for the Notes. Although the Company has applied for listing of the Notes on the New York Stock Exchange, no assurance can be given that an active trading market in the Notes will develop or that Holders will be able to sell their Notes at or above par. The Company has been advised that the Underwriters currently intend to make a market in the Notes, but they are under no obligation to do so and may discontinue such market making activities at any time. Accordingly, in deciding whether or not to invest in the Notes, investors should take into account the possible illiquid and long-term nature of an investment in the Notes.

DEPENDENCE ON KEY PERSONNEL

The Company's success is largely dependent on the efforts of Charles E. Bradley, Jr., its President, Jeffrey P. Fritz, its Senior Vice President-Chief Financial Officer, and on Nicholas P. Brockman, William J. Brummund, Jr., Richard P. Trotter, Curtis K. Powell, and Mark A. Creatura, each of whom is a Senior Vice President responsible for a different aspect of the Company's operations. The Company has not entered into employment agreements with any of these individuals and the loss of the services of any of these individuals could have a material adverse effect on the Company. The Company has obtained "key man" life insurance on Messrs. Bradley and Fritz in the amount of \$1.0 million each. See "Management."

CONTROL OF THE COMPANY

As of December 31, 1996, Charles E. Bradley, Jr., his father, Charles Bradley, Sr., and other members of his family beneficially owned 3,847,497 shares of outstanding Common Stock, and held options or other rights to acquire an additional 867,640 shares. Such shares represent approximately 27.0% of the outstanding Common Stock of the Company (or 31.2%, upon assumed exercise of all such options). As a result of their ownership of Common Stock, they and the other directors of the Company collectively are able, as a practical matter, to elect a majority of the Company's Board of Directors, to cause an increase in the authorized capital or the dissolution, merger or sale of the assets of the Company, and generally to direct the affairs of the Company. See "Principal Shareholders."

USE OF PROCEEDS

The net proceeds from the sale of the Notes (after deducting underwriting discounts and Offering expenses) are expected to be approximately \$33.3 million (approximately \$38.4 million if the Underwriters' over-allotment option is exercised in full). The primary purpose of the Offering is to provide the Company with additional capital to fund its growth, including increasing the amount of Contracts that the Company can acquire and hold for pooling and sale in the asset-backed securities market, to support securitization transactions, for other working capital needs and for general corporate purposes. Pending their ultimate application, the net proceeds will be used to reduce temporarily the Company's balances under its existing Warehouse Line of Credit. As of December 31, 1996, amounts outstanding under the Warehouse Line of Credit bore interest at an effective rate of 6.99% per annum.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

The Company's Common Stock is traded on the Nasdaq National Market, under the symbol "CPSS." The following table sets forth the high and low sale prices of the Common Stock for the periods indicated.

	High ----	Low ---
January 1-March 31, 1995	\$ 8.625	\$ 6.625
April 1-June 30, 1995	9.625	7.125
July 1-September 30, 1995	13.25	9.375
October 1-December 31, 1995	12.00	8.50
January 1-March 31, 1996	10.75	7.375
April 1-June 30, 1996	10.50	8.25
July 1-September 30, 1996	13.125	7.75
October 1-December 31, 1996	14.75	10.625
January 1-February 25, 1997	13.875	9.69

On February 27, 1997 the last reported sale price for the Common Stock on the Nasdaq National Market was as reported on the cover page of this Prospectus. As of February 25, 1997, there were 77 holders of record of the Company's Common Stock.

To date, the Company has not declared or paid any dividends on its Common Stock. The payment of future dividends, if any, on the Company's Common Stock is within the discretion of the Board of Directors and will depend upon the Company's earnings, its capital requirements and financial condition, and other relevant factors. The Company does not intend to declare any dividends on its Common Stock in the foreseeable future, but instead intends to retain any earnings for use in the Company's operations. See "Description of Common Stock."

CAPITALIZATION

The following table sets forth the capitalization of the Company as of December 31, 1996 and as adjusted to give effect to (i) the conversion into 480,000 shares of Common Stock at \$6.25 per share of the 9.5% Convertible Subordinated Note due November 16, 1998, which was effected on January 17, 1997, and (ii) the sale of the Notes offered hereby (assuming no exercise of the Underwriters' over-allotment option) and the application of the estimated net proceeds therefrom as described in "Use of Proceeds." The table should be read in conjunction with the Company's Consolidated Financial Statements and the related Notes thereto included elsewhere in this Prospectus.

	AS OF DECEMBER 31, 1996	
	-----	-----
	ACTUAL	PRO FORMA AS ADJUSTED
	-----	-----
	(DOLLARS IN THOUSANDS)	
LIABILITIES:		
Warehouse Line of Credit	\$ 13,265	\$ -
Subordinated Notes due 2006	20,000	20,000
9.5% Convertible Subordinated Note due November 16, 1998	3,000	-
Other liabilities	8,724	8,724
___% Participating Equity Notes(sm) due 2004.	-	35,000
	-----	-----
Total liabilities	\$ 44,989	\$ 63,724
	-----	-----
SHAREHOLDERS' EQUITY:		
Preferred Stock, \$1.00 par value, 5,000,000 shares authorized, none issued.	\$ -	\$ -
Common Stock, no par value, 30,000,000 shares authorized, 13,779,242 shares issued and outstanding and 14,259,242 shares pro forma as adjusted(1).	34,644	37,644
	-----	-----
Retained earnings	22,313	22,313
	-----	-----
Total shareholders' equity.	56,957	59,957
	-----	-----
Total capitalization.	\$ 101,946	\$ 136,946
	-----	-----

(1) Does not include: (i) 14,000 shares of Common Stock reserved for issuance upon exercise of warrants issued in connection with the Company's 1992 initial public offering of Common Stock; (ii) 2,094,200 shares of Common Stock reserved for issuance upon exercise of stock options outstanding under the Company's 1991 Stock Option Plan, of which options to purchase 1,319,420 shares were exercisable at December 31, 1996; (iii) 97,000 shares of Common Stock reserved for issuance upon exercise of stock options available for future grant under the Company's 1991 Stock Option Plan; and (iv) 60,000 shares of Common Stock reserved for issuance upon the exercise of stock options

granted to certain directors of the Company. See "Certain Transactions" and "Principal Shareholders."

SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents certain summary consolidated financial information for the year ended December 31, 1996, the nine-month transition period ended December 31, 1995, and the fiscal years ended March 31, 1995, 1994 and 1993, which has been derived from the Company's Consolidated Financial Statements audited by KPMG Peat Marwick LLP, independent certified public accountants, certain of which have been included elsewhere herein. The following information should be read in conjunction with the Consolidated Financial Statements and related Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	YEAR ENDED DECEMBER 31, ----- 1996 ----	NINE-MONTH TRANSITION PERIOD ENDED 12/31/95 -----	FISCAL YEAR ENDED MARCH 31, ----- 1995 1994(1) 1993 -----		
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Net gain on sale of Contracts.	\$ 23,321	\$ 11,549	\$ 9,455	\$ 5,425	\$ 523
Servicing fees	16,169	6,475	7,201	3,556	1,538
Interest income.	11,704	6,230	5,849	1,443	400
Total revenue.	51,194	24,254	22,505	10,424	2,461
Operating expenses (including a one-time charge of \$6,450 in fiscal 1994)(1)	27,502	11,597	11,358	11,712	3,963
Income taxes	9,595	5,082	4,481	490	0
Net income (loss).	\$ 14,097	\$ 7,575	\$ 6,666	\$ (1,778)	\$ (1,502)
Primary net income (loss) per common share.	\$.95	\$.53	\$.60	\$ (.21)	\$ (.24)
Weighted average common and common equivalent shares.	14,849,609	14,323,592	11,143,268	8,520,548	6,378,082
Fully diluted net income (loss) per common share.	\$.93	\$.52	\$.56	\$ (.21)	\$ (.24)
Fully diluted weighted average common and common equivalent shares.	15,410,044	14,803,592	12,538,352	8,520,548	6,378,082
OTHER DATA:					
Principal amount of Contracts purchased during period (excluding Bulk Purchases).	\$ 351,350	\$ 150,943	\$ 150,573	\$ 53,103	\$ 19,484
Principal amount of Contracts sold during period	340,990	155,719	140,617	58,095	14,103
Outstanding Servicing Portfolio at end of period(2)	505,934	288,927	192,800	63,208	20,436
Net charge-offs(3)	20,328	8,331	4,349	964	276
Servicing fees as a percentage of average principal balance of Contracts being serviced(4)	4.1%	3.6%	5.3%	7.5%	4.7%
Delinquencies as a percentage of gross Servicing Portfolio at end of period(5)(6).	6.8%	5.1%	2.5%	1.3%	1.0%
Delinquencies and amount in repossession as a percent of gross Servicing Portfolio(5)(6)(10)	9.2%	7.9%	4.4%	2.0%	2.0%
Net charge-offs as a percentage of average Servicing Portfolio(3)(6)	5.1%	4.6%	3.4%	2.5%	2.2%

	YEAR ENDED	NINE-MONTH	FISCAL YEAR ENDED MARCH 31,		
	DECEMBER 31,	TRANSITION	-----		
	-----	PERIOD	1995	1994(1)	1993
	1996	ENDED	-----	-----	-----
	-----	12/31/95	-----	-----	-----
	-----	-----	-----	-----	-----
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)					
Operating expenses (before interest and provisions for credit losses) as a percentage of average Servicing Portfolio(2)(4)	4.8%	4.4%	5.4%	28.9%	31.5%
Servicing subject to recourse provisions(6)	483,106	268,163	169,331	62,464	14,736
Discounted allowance for credit losses as a percentage of servicing subject to recourse provisions(7)	9.7%	8.7%	8.5%	8.1%	10.2%
Ratio of earnings to fixed charges(8)(9)	5.0x	5.5x	4.2x	-	-
Cash flows provided by (used in) operating activities.	\$ (9,661)	\$ (18,533)	\$ (6,115)	\$ (2,816)	\$ (6,718)

	AS OF DECEMBER 31,	AS OF DECEMBER 31,	1995	AS OF MARCH 31,	1993
	1996	1995	-----	1994	-----
	-----	-----	-----	-----	-----
BALANCE SHEET DATA: (IN THOUSANDS)					
Cash	\$ 154	\$ 10,895	\$ 5,767	\$ 2,089	\$ 245
Investments in credit enhancements	43,597	30,478	23,201	10,497	0
Contracts held for sale.	21,657	19,549	21,896	647	5,054
Excess servicing receivables	23,654	11,108	5,154	2,294	503
Total assets	101,946	77,878	57,975	16,538	6,922
Total liabilities.	44,989	36,397	30,981	6,337	2,833
Total shareholders' equity	56,957	41,481	26,994	10,201	4,089

(1) In October 1992, as a condition to the initial public offering of Common Stock of the Company, the then majority shareholder of the Company deposited 1,200,000 shares of Common Stock (the "Escrow Shares") in escrow. The escrow agreement provided that part or all of the Escrow Shares would be released if the Company's net income after taxes (as defined in the escrow agreement) or the average market price of the Common Stock for specified periods exceeded specified levels. The Company's net income (as defined in the escrow agreement) for fiscal 1994 (prior to the accounting effect of the release of the Escrow Shares) exceeded the specified level and, accordingly, all 1,200,000 Escrow Shares were released. The release of the Escrow Shares was deemed compensatory for accounting purposes, resulting in a one-time, non-cash charge of \$6,450,000 against earnings for fiscal 1994. Without that charge, net income, primary net income per share and fully diluted net income per share for fiscal 1994 would have been \$4,672,000, \$.46 and \$.44, respectively.

(2) Includes the outstanding principal amount of all Contracts purchased by the Company, including Contracts subsequently sold by the Company which it continues to service. Excludes loans serviced for third parties but not purchased by the Company. As of December 31, 1994, the Company had ceased servicing loans for third parties.

(3) Net charge-offs include the remaining principal balance, after the application of the net proceeds from the liquidation of the vehicle (excluding accrued and unpaid interest). Post-liquidation amounts received on previously charged-off Contracts are applied to the period in which the related Contract

was originally charged off. Excludes Bulk Purchases not yet sold and uninsured casualty losses.

- (4) The percentages set forth for the nine-month transition period ended December 31, 1995, are computed using annualized operating data, which do not necessarily represent comparable data for a full twelve-month period.
- (5) The Company considers a Contract delinquent when an obligor fails to make at least 90% of a contractually due payment by the following due date and the vehicle securing the Contract has not been repossessed. All amounts and percentages are based on the full amount remaining to be repaid on each Contract, including, for rule of 78s Contracts, any unearned finance charges. Excludes Bulk Purchases not yet sold.
- (6) Includes the outstanding principal amount of all Contracts purchased and subsequently sold by the Company which it continues to service. Excludes loans serviced for third parties and Contracts purchased but not yet sold by the Company.
- (7) Discounted allowance for credit losses represents the discounted present value calculated at a risk free rate, of future estimated credit losses as determined by the Company in conjunction with the recognition of its gains on sale of Contracts.
- (8) The ratio of earnings to fixed charges has been computed by dividing income before taxes and fixed charges by fixed charges. Fixed charges include interest expense and the portion of rent expense that is representative of the interest factor (deemed by the Company to be one-third).
- (9) The Company incurred losses in fiscal 1994 and fiscal 1993. Earnings were inadequate to cover fixed charges by \$1.3 million and \$1.5 million for fiscal 1994 and fiscal 1993, respectively. Adjusted to eliminate the one-time non-cash charge of \$6,450,000 referred to in footnote (1) above, the ratio of earnings to fixed charges for fiscal 1994 would have been 10.1x.
- (10) Amount in repossession represents financed vehicles which have been repossessed but not yet liquidated.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the financial condition of the Company should be read in conjunction with "Selected Financial Data" and the Company's Consolidated and Condensed Consolidated Financial Statements and the Notes thereto and the other financial data included elsewhere in this Prospectus.

OVERVIEW

The Company specializes in the business of purchasing, selling and servicing retail automobile installment sales Contracts originated by Dealers in the sale of new and used automobiles, light trucks and passenger vans and has done so since its inception on March 8, 1991. Through its purchases, the Company provides indirect financing to borrowers with limited credit histories, low incomes or past credit problems.

The Company generates earnings and cash flow primarily from the servicing fees, gains associated with the sales or securitizations of Contracts and interest earned on Contracts held for sale. In each securitization, the Company sells Contracts to a trust which, in turn, sells asset-backed securities to Investors. The terms of the securitization transactions generally provide for the Company to earn a base servicing fee computed as a percentage of the outstanding balance of the Contracts as compensation for its duties as servicer. In addition, the Company is entitled to certain excess servicing fees which represent collections on the Contracts in excess of the amounts necessary to pay principal and interest to Investors and the expenses of the trust, including, primarily, base servicing fees.

The Company also recognizes gains on its sales of Contracts. Gains are determined based upon the difference between the sales proceeds for the portion of Contracts sold and the Company's recorded investment in the Contracts sold. The Company allocates the recorded investment in the Contracts between the portion of the Contracts sold and the portion retained based on the relative fair values of those portions on the date of the sale. In addition, the Company recognizes gains attributable to its estimates of excess servicing receivables for each pool of Contracts it securitizes. Excess servicing receivables are determined by computing the difference between the weighted average yield of the Contracts sold and the yield to the purchaser, adjusted for the normal servicing fee based on the agreements between the Company and the purchaser. The resulting differential is recorded as a gain at the time of sale equal to the present value of the estimated cash flows, net of any portion of the excess that may be due to the purchaser and adjusted for anticipated prepayments, repossessions, liquidations and other losses. To the extent that the actual future performance of the Contracts results in less excess cash flows than the Company estimated, the Company's excess servicing receivables will be adjusted at least quarterly, with corresponding charges recorded against income in the period in which the adjustment is made. To the extent that the actual cash flows exceed the Company's discounted estimates, the Company will record additional servicing fees in the periods in which the excess cash is received.

RESULTS OF OPERATIONS

THE YEAR ENDED DECEMBER 31, 1996 COMPARED TO THE NINE-MONTH TRANSITION PERIOD ENDED DECEMBER 31, 1995

The Company changed its fiscal year-end from March 31 to December 31, effective with the nine-month transition period ended December 31, 1995. Accordingly, readers should take into account that the following discussion compares figures for a full twelve month year to a nine-month period. The discussion below does not attempt to explain, for each item discussed, the extent to which the differing length of these periods has affected the figures.

REVENUE. During the year ended December 31, 1996, revenue increased \$26.9 million, or 111.1%, compared to the nine-month transition period ended December 31, 1995. Net gain on sale of Contracts includes (i) the excess of the amount realized on the sale of Contracts over the Company's net cost, (ii) the net present value of estimated excess servicing fees on sold contracts, and (iii) the recognition of deferred acquisition fees paid by Dealers net of related acquisition costs. Net gain on sale of Contracts increased by \$11.8 million, or 101.9%, and represented 45.6% of total revenue for the year ended December 31, 1996. The increase in gain on sale is largely due to the volume of Contracts which were sold in the period. During the year ended December 31, 1996, the Company sold \$341.0 million in Contracts, compared to \$155.7

million in the nine-month transition period ended December 31, 1995.

Servicing fees increased by \$9.7 million, or 149.7%, and represented 31.6% of total revenue. The increase in servicing fees is due to the Company's continued expansion of its Contract purchase, sale and servicing activities. As of December 31, 1996, the Company was earning servicing fees on 45,363 Contracts approximating \$483.1 million compared to 25,398 Contracts approximating \$268.2 million as of December 31, 1995. In addition to the \$483.1 million in sold Contracts on which servicing fees were earned, the Company was holding for sale and servicing an additional \$22.8 million in Contracts for an aggregate servicing portfolio of \$505.9 million. All figures for the dollar amount of Contracts represent the remaining principal amount owing under such Contracts.

Interest income on Contracts held for sale increased by \$5.5 million, or 87.9%, representing 22.9% of total revenues for the year ended December 31, 1996. The increase is due to the increase in the volume of contracts purchased and held for sale. During the year ended December 31, 1996, the Company purchased \$351.4 million in Contracts from Dealers, compared to \$160.1 million in the nine-month transition period ended December 31, 1995.

EXPENSES. During the year ended December 31, 1996, operating expenses increased \$15.9 million, or 137.1%, compared to the nine-month transition period ended December 31, 1995. Employee costs increased by \$5.6 million, or 169.6%, and represented 32.4% of total operating expenses. The increase is due to the addition of staff necessary to accommodate the Company's growth and certain increases in salaries of existing staff. General and administrative expenses increased by \$4.4 million, or 158.9% and represented 26.4% of total operating expenses. Increases in general and administrative expenses included increases in telecommunications, stationery, credit reports and other related items as a result of increases in the volume of purchasing and servicing of Contracts. Additionally, general and administrative expenses increased by \$595,000 as a result of including the company's share of losses incurred by NAB Asset Corporation, in which the Company made a 38% equity investment on June 6, 1996.

Marketing expenses increased by \$448,000, or 36.4%, and represented 6.1% of total expenses. The increase is primarily due to the increase in the volume of contracts purchased as marketing representatives are compensated directly in proportion to the number of Contracts the Company purchases from Dealers serviced by the marketing representative. Additional increases in marketing expense relate to other marketing expenses such as travel, promotion and convention expenses.

Interest expense increased \$3.1 million, or 112.2%, and represented 21.0% of total operating expenses. The increase is primarily due to the interest paid on the \$20.0 million in subordinated debt securities issued on December 20, 1995. Interest expense was also impacted by the volume of Contracts held for sale as well as by the Company's cost of borrowed funds.

During the year ended December 31, 1996, the provision for losses on Contracts held for sale increased by \$1.9 million, or 232.6%, and represented 10.0% of total operating expenses. The increase in the provision reflects somewhat higher charge-off rates and a larger volume of Contracts held prior to sale when compared to the nine-month transition period ended December 31, 1995.

The results for the year ended December 31, 1996 include net operating losses of \$491,000 from the Company's subsidiary Samco Acceptance Corp. ("Samco"). Samco was formed in March 1996 and provides the Company's products and services to Dealers and independent finance companies primarily in rural areas of the southeastern portion of the United States.

The results for the year ended December 31, 1996 also include net operating losses of \$324,000 from the Company's subsidiary LINC Acceptance Corp. ("LINC"). LINC was formed in May 1996 and provides the Company's products and services to credit unions and other depository institutions.

NINE-MONTH TRANSITION PERIOD ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED MARCH 31, 1995

The Company changed its fiscal year-end from March 31 to December 31, effective with the nine-month transition period ended December 31, 1995. Accordingly, readers should take into account that the following

discussion compares figures for a nine-month period to a full twelve-month year. The discussion below does not attempt to explain, for each item discussed, the extent to which the differing length of these periods has affected the figures.

REVENUES. During the nine months ended December 31, 1995, revenues increased \$1.7 million, or 7.8%, compared to the year ended March 31, 1995. Net gain on sale of Contracts, which includes (i) the excess of the amount realized on the sale of Contracts over the Company's net cost, (ii) the net present value of estimated excess servicing fees on sold Contracts, and (iii) the recognition of acquisition fees paid by Dealers and deferred by the Company, increased by \$2.1 million, or 22.2%, and represented 47.6% of total revenues for the nine months ended December 31, 1995. The increase in gain on sale is largely due to the volume of Contracts which were sold in the period. During the nine months ended December 31, 1995, the Company sold \$155.7 million in Contracts, compared to \$140.6 million in the year ended March 31, 1995.

Servicing fees decreased by \$726,000, or 10.1%, and represented 26.7% of total revenues. Servicing fees consist primarily of base and excess monthly servicing fees earned on Contracts sold and serviced by the Company, as well as servicing fees for certain third-party originated portfolios for which it has been engaged as servicer. Servicing fees have been impacted by the Company's continued expansion of its Contract purchase, sale and servicing activities. As of December 31, 1995, the Company was earning servicing fees on 25,398 Contracts and loans approximating \$268.2 million compared to 16,077 Contracts and loans approximating \$169.3 million as of March 31, 1995. In addition to the \$268.2 million in sold Contracts and loans on which servicing fees were earned, the Company was holding for sale and servicing an additional \$20.8 million in Contracts for an aggregate total servicing portfolio of \$288.9 million at December 31, 1995.

Interest income on Contracts warehoused for sale increased by \$381,000, or 6.5%, representing 25.7% of total revenues for the nine months ended December 31, 1995. Interest income is closely related to the volume of Contracts purchased and the length of time they are held by the Company prior to their sale. During the nine months ended December 31, 1995, the Company purchased \$151.0 million in Contracts from Dealers, compared to \$150.6 million in the year ended March 31, 1995. In addition to Contracts purchased from Dealers, the Company made two bulk purchases of portfolios of Contracts having an aggregate principal balance of \$9.2 million during the nine months ended December 31, 1995.

EXPENSES. During the nine months ended December 31, 1995, operating expenses increased \$239,131, or 2.1%, compared to the year ended March 31, 1995. Employee costs increased by \$318,886 or 10.7%, and represented 28.5% of total operating expenses. The increase is due to the addition of staff necessary to accommodate the Company's growth in its business as well as certain increases in salaries of existing staff. General and administrative expenses increased by \$894,444, or 46.9% and represented 24.1% of total operating expenses. Increases in general and administrative expenses included increases in telephone, stationery, credit bureaus and other related items as a result of increases in the volume of purchases and servicing of Contracts.

Marketing expenses decreased by \$533,011 or 30.2%, and represented 10.6% of total expenses. The Company uses a combination of independent contractor and employee marketing representatives all of whom are compensated directly in proportion to the number of Contracts the Company purchases from Dealers serviced by the marketing representative. Marketing expense is further impacted by the Company's estimates for direct expenses made in accordance with deferring contract origination costs.

Interest expense decreased by \$683,195, or 20.0%, and represented 23.5% of total operating expenses. During the nine-month period ended December 31, 1995, the Company's interest expense was affected by improved pricing on the Line, a more favorable interest rate environment, and less reliance on other short term financing, in part, as a result of the proceeds from the Company's issuance of two million shares of common stock in March 1995.

During the nine months ended December 31, 1995, the provision for losses on Contracts held for sale increased by \$295,511 or 55.4% and represented 7.1% of total operating expenses. The increase in the provision reflects a larger volume of Contracts held for a longer period of time prior to sale when compared to the year ended March 31, 1995, and certain losses associated with Bulk Purchases in the nine months ended December 31, 1995.

CHANGE OF FISCAL YEAR; 1994 RELEASE OF ESCROW SHARES

In 1995, the Company changed its fiscal year-end from March 31 to December 31. For that reason, much of the information contained herein compares a fiscal year ended March 31, 1995 with a nine-month transition period ended December 31, 1995, and then with a full fiscal year ended December 31, 1996. The table below presents certain information on a calendar-year basis, for the calendar years 1994, 1995 and 1996. In that table, two columns present information regarding the year ended December 31, 1994, one column including and one column excluding the effect of a charge for release of Escrow Shares (as described below).

Upon consummation of the Company's initial public offering which became effective on October 22, 1992, the Company's controlling shareholder, Holdings, deposited 1,200,000 shares of Common Stock (the "Escrow Shares") in escrow, subject to release upon attainment of certain net income goals or stock price levels. As of March 31, 1994, the Company exceeded the requisite levels. The release of the Escrow Shares was deemed compensatory and resulted in a one-time, non-cash charge for fiscal 1994 of \$6.5 million which was equal to the market value of the Escrow Shares at the time of their release. This one-time, non-cash charge was offset by an identical increase in common stock and was not tax deductible. Consequently, there was no impact on total shareholders' equity on the Company's financial statements as a result of the release of the Escrow Shares and the corresponding charge. The following table presents three-year comparative information.

12 Months Ended December 31,

	1994 (1)	1994 (2)	1995	1996
--	----------	----------	------	------

(In thousands, except per share data)

REVENUES:				
Net gain on sale of contracts	\$ 9,980	\$ 9,980	\$ 13,719	\$ 23,321
Servicing fees	6,175	6,175	9,019	16,169
Interest	4,403	4,403	7,869	11,704
	20,558	20,558	30,607	51,194
EXPENSES:				
Charge from release of escrow shares	6,450	--	--	--
Selling, general and administrative	3,651	3,651	5,276	9,694
Employee costs	3,253	3,253	3,888	8,921
Interest	2,520	2,520	3,842	5,781
Provision for losses	384	384	1,008	2,756
Depreciation	169	169	209	275
Related party consulting fees	350	350	350	75
	16,777	10,327	14,573	27,502
Income before taxes	3,781	10,231	16,034	23,692
Income taxes	3,613	3,613	6,440	9,595
Net income	\$ 168	\$ 6,618	\$ 9,594	\$ 14,097
Primary income per share	\$0.02	\$0.61	\$0.71	\$0.95
Weighted average primary shares	10,932	10,932	13,431	14,850
Fully diluted income per share	\$0.02	\$0.57	\$0.70	\$0.93
Fully diluted weighted average shares	12,182	12,182	13,911	15,410

(1) Results include the non-cash one time charge from the release of Escrow Shares.

(2) Results exclude the non-cash one time charge from the release of Escrow Shares.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash from operating activities include base and excess servicing fees it earns on portfolios of Contracts it has previously sold, proceeds on the sales of Contracts in excess of its recorded investment of the Contracts, amortization and release of investments in credit enhancement balances pledged in conjunction with the securitization of its Contracts, borrower payments on Contracts held for sale and interest earned on Contracts held for sale. The Company's primary uses of cash include its normal operating expenses, the establishment and build-up of Spread Accounts used for credit enhancement to their maintenance levels and income taxes.

Net cash used in operating activities was \$9.7 million during the year ended December 31, 1996 compared to net cash used of \$18.5 million during the nine month transition period ended December 31, 1995. Cash used for purchasing Contracts was \$351.4 million, an increase of \$191.2 million, or 119.4%, over cash used for purchasing Contracts in the nine month transition period ended December 31, 1995. Cash provided from the liquidation of Contracts was \$346.5 million, an increase of \$189.6 million, or 120.8%, over cash provided from liquidation of Contracts in the nine month transition period ended December 31, 1995.

During the year ended December 31, 1996, cash used for initial deposits to Spread Accounts was \$12.3 million, an increase of \$7.3 million, or 149.0%, from the amount of cash used for initial deposits to Spread Accounts in the nine month transition period ended December 31, 1995. Cash from excess servicing deposited to Spread Accounts for the year ended December 31, 1996, was \$18.8 million, an increase of \$11.2 million, or 148.8%, over cash from excess servicing deposited to Spread Accounts in the nine month transition period ended December 31, 1995. Cash released from Spread Accounts for the year ended December 31, 1996, was \$17.9 million, an increase of \$10.2 million, or 133.2%, over cash released from Spread Accounts in the nine month transition period ended December 31, 1995. Changes in deposits to and releases from Spread Accounts are impacted by the relative size, seasoning and performance of the various pools of sold Contracts that make up the Company's servicing portfolio.

During the year ended December 31, 1996, the Company purchased 38% of the outstanding common stock of NAB Asset Corporation for approximately \$4.3 million. See "Business--Expansion and Diversification".

The Company's cash requirements have been and will continue to be significant. The agreements under which the Company has securitized and sold its Contracts required the Company to make a significant initial cash deposit, for purposes of credit enhancement, to a Spread Account which is pledged to support the related asset-backed securities, and is invested in high quality liquid securities. Excess cash flows from the securitized Contracts are deposited into the Spread Accounts until such time as the Spread Account balance reaches a specified percent of the outstanding balance of the related asset-backed securities. Since its June 1995 securitization, and, it is expected, on an ongoing basis, the Company altered the credit enhancement mechanism used in its securitizations to create a subordinated class of asset-backed securities (a "B Piece") in order to reduce the size of the required initial deposit to the Spread Accounts. This revised structure may, if the Company is able to continue to sell the B Piece, reduce the amount of cash that the Company must invest or set aside in Spread Accounts in future securitizations. The Company continues to hold the B Piece associated with its June 1995 transaction, but has sold and believes it will be able to continue to sell the B Pieces created in subsequent securitizations. The aggregate balances of the Spread Accounts associated with each securitization of Contracts, together with the one B Piece held by the Company, are reflected as "Investments in credit enhancements" on the Company's consolidated balance sheet.

The table below documents the Company's history of Contract Securitizations

STRUCTURED CONTRACT SECURITIZATIONS

PERIOD FUNDED	SECURITIZED DOLLAR AMOUNT	RATINGS(1)	RATING AGENCY	POOL NAME
(IN THOUSANDS)				
April 1993	\$ 4,990	A	Duff & Phelps	Alton Grantor Trust 1993-1
May 1993	3,933	A	Duff & Phelps	Alton Grantor Trust 1993-1
June 1993	3,467	A	Duff & Phelps	Alton Grantor Trust 1993-1
July 1993	5,575	A	Duff & Phelps	Alton Grantor Trust 1993-2
August 1993	3,336	A	Duff & Phelps	Alton Grantor Trust 1993-2
September 1993	3,578	A	Duff & Phelps	Alton Grantor Trust 1993-2
October 1993	1,921	A	Duff & Phelps	Alton Grantor Trust 1993-2
November 1993	1,816	A	Duff & Phelps	Alton Grantor Trust 1993-3
December 1993	6,694	A	Duff & Phelps	Alton Grantor Trust 1993-3
January 1994	1,998	A	Duff & Phelps	Alton Grantor Trust 1993-3
March 1994	20,787	A	Duff & Phelps	Alton Grantor Trust 1993-4
June 1994	24,592	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1994-1
September 1994	28,916	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1994-2
October 1994	13,136	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1994-3
December 1994	28,893	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1994-4
February 1995	20,084	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1995-1
June 1995	49,290	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1995-2
September 1995	45,009	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1995-3
September 1995	2,369	BB	S&P	CPS Auto Grantor Trust 1995-3
December 1995	53,634	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1995-4
December 1995	2,823	BB	S&P	CPS Auto Grantor Trust 1995-4
March 1996	63,747	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1996-1
March 1996	3,355	BB	S&P	CPS Auto Grantor Trust 1996-1
June 1996 (2)	84,456	Aaa/AAA	Moody's/S&P	Fasco Auto Grantor Trust 1996-1
June 1996	4,445	BB	S&P	Fasco Auto Grantor Trust 1996-1
September 1996	87,523	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1996-2
September 1996	4,606	BB	S&P	CPS Auto Grantor Trust 1996-2
December 1996	88,215	Aaa/AAA	Moody's/S&P	CPS Auto Grantor Trust 1996-3
December 1996	4,643	BB	S&P	CPS Auto Grantor Trust 1996-3
	\$ 667,831			

(1) Commencing with the securitization completed on June 28, 1994, the principal and interest due on the asset-backed securities issued by the various grantor trusts are guaranteed by Financial Security Assurance Inc. ("FSA"), enabling the issuer to obtain Aaa/AAA ratings for the asset-backed securities issued in such transactions. See "Business -- Purchase and Sale of Contracts -- Securitization and Sale of Contracts to Institutional Investors."

(2) Commencing with the securitization completed on June 27, 1996, asset-backed securities with Aaa/AAA ratings have been sold through public offerings pursuant to registration statements filed with the Securities and Exchange Commission.

Cash flows are impacted by the use of the Warehouse Line of Credit which is in turn impacted by the amount of Contracts the Company holds for sale. At December 31, 1996, the Warehouse Line of Credit had an outstanding balance of \$13.3 million compared to \$7.5 million at December 31, 1995. In June 1995 the Company entered into two new agreements which restructured the Warehouse Line of Credit and increased the maximum available amount to \$100.0 million. The primary agreement provides for loans by Redwood Receivables Corporation ("Redwood") to the Company, to be funded by commercial paper issued by Redwood and secured by Contracts pledged periodically by the Company. The Redwood facility provides for a maximum of \$100.0 million of advances to the Company, with interest at a variable rate tied to prevailing commercial paper rates. When the Company wishes to securitize these Contracts, a substantial part of the proceeds received from Investors is paid to Redwood, which simultaneously releases the pledged Contracts for transfer to a pass-through securitization trust. The second agreement is a standby line of credit with GECC, also with a \$100.0 million maximum, which the Company may use only if and to the extent that Redwood does not provide funding as described above. The GECC line is secured by Contracts and substantially all the other assets of the Company. Both agreements extend through November 30, 1998. The two agreements are viewed as a single short-term warehouse line of credit, with advances varying according to the amount of pledged Contracts. All references in this Prospectus to the Warehouse Line of Credit refer, since June 1995, to the Redwood facility and, unless the context indicates otherwise, the standby line of credit with GECC.

Prior to October 29, 1992, the Company was dependent on capital contributions and loans by Holdings (which was then the sole shareholder of the Company) to satisfy its cash requirements. On October 29, 1992, the Company raised approximately \$4.9 million (net of offering expenses) in an initial public offering. On March 12, 1993, the Company borrowed \$2.0 million from Sun Life through the issuance of a convertible note in conjunction with an agreement by that investor to purchase up to \$50.0 million of the Company's Contracts. On July 5, 1995, Sun Life converted this note into 533,334 shares of the Company's Common Stock. On November 16, 1993, the Company borrowed an additional \$3.0 million from Sun Life through the issuance of a convertible note in conjunction with that investor's commitment to purchase an additional \$50.0 million in Contracts. On January 17, 1997, Sun Life converted this note into 480,000 shares of Common Stock. On November 23, 1993, the Company issued and sold 333,334 shares of Common Stock in a private transaction at a price of \$4.50 per share (\$1.5 million in the aggregate). In May and October, 1994, the Company borrowed an aggregate of \$5.0 million pursuant to three short term notes, all of which were repaid in March 1995 with proceeds from the March 7, 1995 public offering of 2.0 million shares of the Company's stock at a price of \$7.38 per share. In December 1995, the Company issued \$20 million of debt in the form of Rising Interest Subordinated Redeemable Securities ("RISRS").

The Company anticipates that the proceeds from this offering, the funds available under the Warehouse Line of Credit, proceeds from the sale of Contracts, and cash from operations will be sufficient to satisfy the Company's estimated cash requirements for at least the next 12 months, assuming that the Company continues to have a means by which to sell its warehoused Contracts. If for any reason the Company is unable to sell its Contracts, or if the Company's available cash otherwise proves to be insufficient to fund operations (because of future changes in the industry, general economic conditions, unanticipated increases in expenses, or other factors), the Company may be required to seek additional financing.

On November 1, 1996, the Company began to rent an additional 7,000 square feet of contiguous office space in accordance with the Company's lease agreement. In addition, the Company recently acquired an additional, and significantly upgraded, IBM AS/400 computer. This hardware serves as the primary platform on which the Company processes its Contracts. The Company anticipates that it will incur certain limited capital expenditures during the next twelve months as its business continues to grow. The Company expects to incur occupancy expenses of approximately \$50,000 per month in connection with its Chesapeake, Virginia satellite facility, which were not incurred in fiscal 1996. Personnel and other expenses may also increase, depending on the extent of any continuing growth in the Company's business (as to which there can be no assurance) and the availability of personnel.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1996, the Financial Accounting Standards board issued SFAS No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996 and is to be applied prospectively. This Statement provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on consistent application of a financial-components approach that focuses on control. It distinguishes transfers of financial assets that are sales from transfers that are secured borrowings. Management of the Company does not expect that adoption of SFAS No. 125 will have a material impact on the Company's financial position, results of operations or liquidity.

BUSINESS

GENERAL

The Company is a consumer finance company specializing in the business of purchasing, selling and servicing Contracts originated by Dealers in the sale of new and used automobiles, light trucks and passenger vans. Through its purchases, the Company provides indirect financing to Sub-Prime Borrowers. The Company serves as an alternative source of financing for Dealers, allowing sales to customers who otherwise might not be able to obtain financing from more traditional sources of automobile financing such as banks, credit unions or finance companies affiliated with major automobile manufacturers.

HISTORY

The Company was incorporated in March 1991 as a wholly owned subsidiary of CPS Holdings, Inc. ("Holdings") (formerly known as FWB Acceptance Corp.). Holdings was formed in April 1990 by Charles E. Bradley, Sr., the Chairman of the Board of the Company, in order to enter into the automobile financing business. Mr. Bradley believed that the Sub-Prime Borrower segment of this business had the potential for growth and profit due in part to the withdrawal from such business by many savings and loan associations and other financial institutions. In December 1995, Holdings was merged with and into the Company.

The period from March 8, 1991 (the Company's inception) through May 1991 was devoted to the start-up of the Company's operations. On May 31, 1991, the Company first acquired certain third-party loan servicing contracts and in June 1991 began earning servicing fee income. The Company thereafter added to its third-party loan servicing portfolio and, in October 1991, began acquiring Contracts and selling them to GECC. To date, the Company has sold \$42.6 million in Contracts to GECC and an additional \$100.1 million to Sun Life. Since June 1994, the Company has issued an additional \$545.4 million of "AAA"-rated and \$22.2 million of "BB"-rated certificates backed by Contracts to various institutional investors. Since June 1996, all sales of "AAA"-rated certificates have been made in public offerings pursuant to registration statements filed with the Securities and Exchange Commission. See "Servicing of Contracts--Third-Party Loan Servicing" and "Purchase and Sale of Contracts--Securitization and Sale of Contracts to Institutional Investors."

AUTOMOBILE FINANCING INDUSTRY

Automobile financing is the largest category, by dollar amount, of consumer installment debt in the United States. Most traditional sources of automobile financing, such as commercial banks, credit unions and captive finance companies affiliated with major automobile manufacturers, generally provide automobile financing for the most creditworthy, or so-called "prime" borrowers. The Company believes that the strong credit performance and large size of the market have led to intense price competition in the financing market for prime borrowers, and, in turn, low profit margins, effectively limiting this market to only the largest participants. In addition, special low-rate financing programs offered by automobile manufacturers' captive finance companies to promote the sale of specific automobiles have added to the competition within the prime borrower market.

Although prime borrowers represent the largest segment of the automobile financing market, there are many potential purchasers of automobiles who do not qualify as prime borrowers. Purchasers considered by the Company to be Sub-Prime Borrowers have limited credit histories, low incomes or past credit problems and, therefore, are unable to obtain credit from traditional sources of automobile financing, such as commercial banks, credit unions or captive finance companies affiliated with major automobile manufacturers. (The terms "prime" and "sub-prime" reflect the Company's categorization of borrowers and bear no relationship to the prime rate of interest or persons who are able to borrow at that rate.) The Company believes that, because these potential purchasers represent a substantial market, there is a demand by automobile dealers for Sub-Prime Borrower financing that has not been effectively served by traditional automobile financing sources.

According to the Board of Governors of the Federal Reserve System, as of March 1996, there was approximately \$359 billion in automobile-related installment credit outstanding. The Company is unaware of

any authoritative estimates of the size of the "non-prime" portion of this market, although various sources have estimated that the potential loan base in this portion of the market is between \$50 billion and \$70 billion. Based on these figures, the Company's Servicing Portfolio represents less than one percent of the market.

BUSINESS STRATEGY

The Company's primary objective is to increase revenue and earnings through the expansion of its sales and servicing of Contracts purchased from Dealers. The Company has substantial operational and administrative capacity to expand its business. The Company's strategy is to:

- - Maintain consistent underwriting standards and portfolio performance.
- - Increase the number of Contracts it purchases from its existing Dealers.
- - Expand its Dealer network, in part by entry into other geographic areas. During the year ended December 31, 1996, 52.1% of the Contracts acquired by the Company related to borrowers who resided in California, Florida, Pennsylvania and Texas (see "Purchase and Sale of Contracts--Dealer Contract Purchase Program").
- - Control and/or reduce its cost of funds by proper structuring of its securitization offerings and by obtaining the necessary ratings from nationally recognized credit rating agencies.
- - Evaluate opportunities to provide additional products and services, such as automobile insurance, credit cards and extended maintenance contracts.

EXPANSION AND DIVERSIFICATION

In March 1996, the Company formed Samco Acceptance Corp. ("Samco"), an 80 percent-owned subsidiary based in Dallas, Texas. Samco's business plan is to provide the Company's sub-prime auto finance products to rural areas through independently owned finance companies. The Company believes that many rural areas are not adequately served by other industry participants due to their distance from large metropolitan areas where a Dealer marketing representative is most likely to be based.

Samco employees call on independent finance companies ("IFCs"), primarily in the southeastern United States and present them with financing programs that are essentially identical to those which the Company markets directly to Dealers through its marketing representatives. The Company believes that a typical rural IFC has relationships with many local automobile purchasers as well as Dealers who, because of their financial resources or capital structure are generally unable to provide 36, 48 or 60 month financing for an automobile. IFCs may offer Samco's financing programs to borrowers directly or to local Dealers. Upon submission of applications to Samco, credit personnel who have been trained by the Company use the Company's proprietary systems to evaluate the borrower and the proposed Contract terms. Samco purchases Contracts from the IFCs after its credit personnel have performed all of the underwriting and verification procedures that the Company performs for Contracts it purchases from Dealers. Servicing and collection procedures on Samco Contracts are performed by the Company at its headquarters in Irvine, California. However, Samco may solicit aid from the IFC in collecting accounts that are seriously past due. As of December 31, 1996, Samco had purchased 399 Contracts with original balances of \$4.7 million.

In May 1996, the Company formed LINC Acceptance Corp. ("LINC"), an 80 percent-owned subsidiary based in Norwalk, Connecticut. LINC's business plan is to provide the Company's sub-prime auto finance products to credit unions, banks and savings and loans ("Deposit Institutions"). The Company believes that credit unions, banks and savings and loans do not generally make loans to sub-prime borrowers, even though they may have relationships with Dealers and have sub-prime borrowers as deposit customers.

LINC proposes to have certain of its employees call on various Deposit Institutions and present them with a financing program that is similar to those which the Company markets directly to Dealers through its

marketing representatives. The LINC program is intended to result in a slightly more creditworthy borrower than the Company's regular programs by requiring slightly higher income and lower debt-to-income ratios. LINC's customers may offer its financing program to borrowers directly or to local Dealers. Unlike Samco, which has employees who evaluate applications and make decisions to purchase Contracts, LINC applications will be submitted by the Deposit Institution directly to the Company, where the approval, underwriting and purchase procedures will be performed by Company staff who will work with LINC as well as with the Company's Dealers. Servicing and collection procedures on LINC Contracts will be performed entirely by the Company using its personnel. As of December 31, 1996, LINC had purchased seven Contracts with original balances of \$81,000.

In June 1996, the Company acquired 38% of the outstanding shares of NAB Asset Corporation ("NAB") for \$4.3 million. At the time of the acquisition, NAB had approximately \$3.5 million in cash and no significant operations. Subsequent to the Company's investment in NAB, NAB purchased Mortgage Portfolio Services, Inc. ("MPS") from the Company for \$300,000. MPS is a Dallas, Texas-based mortgage broker-dealer which the Company formed in April 1996. MPS specializes in the origination and sale of sub-prime residential mortgages. In July 1996, NAB formed CARSUSA, Inc., which subsequently purchased a Mitsubishi dealership in Riverside, California. The Company provides CARS USA with an \$800,000 line of credit for financing its vehicle inventory. In November 1996, NAB purchased Mack Financial Ltd, a small appliance "rent to own" company based in Dallas, Texas.

In January 1997, the Company purchased 80% of the outstanding shares of an equipment financing company, Stanwich Leasing, Inc. ("SLI"), from two directors of the Company, Charles E. Bradley, Sr. and John G. Poole. The purchase price was \$100,000 in cash and the assumption of certain liabilities of SLI. As of December 31, 1996, SLI owned and serviced an outstanding equipment lease portfolio of \$2.2 million. Its primary customers are companies affiliated with Charles E. Bradley, Sr.

PURCHASE AND SALE OF CONTRACTS

DEALER CONTRACT PURCHASE PROGRAM. As of December 31, 1996, the Company was a party to Dealer Agreements with 2,171 Dealers. Approximately 93.2% of these Dealers are franchised new car dealers that sell both new and used cars and the remainder are independent used car dealers. For the year ended December 31, 1996, approximately 88.5% of the Contracts purchased by the Company consisted of financing for used cars and the remaining 11.5% for new cars. Most of these Dealers regularly submit Contracts to the Company for purchase, although such Dealers are under no obligation to submit any Contracts to the Company, nor is the Company obligated to purchase any Contracts. During the year ended December 31, 1996, no Dealer accounted for more than 2.3% of the total number of Contracts purchased by the Company. In addition, the Company continues to diversify geographically, and has reduced its concentration of Contract purchases in California from 35.0% for the year ended December 31, 1995, to 25.8% for the year ended December 31, 1996. The following table sets forth the geographical sources of the Contracts purchased by the Company (based on the addresses of the borrowers as stated on the Company's records) during each of the years ended December 31, 1996 and December 31, 1995.

CONTRACTS PURCHASED DURING YEAR ENDED

	DECEMBER 31, 1996		DECEMBER 31, 1995	
	NUMBER	PERCENT	NUMBER	PERCENT
California	7,296	25.8%	5,157	35.0%
Pennsylvania	2,730	9.6%	1,432	9.7%
Florida	2,638	9.3%	1,555	10.6%
Texas	2,073	7.3%	1,046	7.1%
Illinois	1,385	4.9%	963	6.5%
Tennessee	1,225	4.3%	221	1.5%
New York	1,201	4.2%	384	2.6%
Louisiana	1,184	4.2%	271	1.8%
Ohio	1,180	4.2%	119	0.8%
Nevada	1,060	3.7%	750	5.1%
Maryland	920	3.3%	106	0.7%
Alabama	906	3.2%	93	0.6%
Michigan	788	2.8%	598	4.1%
New Jersey	625	2.2%	308	2.1%
Hawaii	507	1.8%	452	3.1%
Other states	2,587	9.1%	1,283	8.7%
Total	28,305		14,738	

When a retail automobile buyer elects to obtain financing from a Dealer, an application is taken for submission by the Dealer to its financing sources. Typically, a Dealer will submit the buyer's application to more than one financing source for review. The Company believes the Dealer's decision to finance the automobile purchase with the Company, rather than other financing sources, is based primarily upon an analysis of the discounted purchase price offered for the Contract, the timeliness, consistency and predictability of response, the cash resources of the financing source, and any conditions to purchase.

Upon receipt of an application from a Dealer, the Company's administrative personnel order a report containing information from the three major national credit bureaus on the applicant to document the buyer's credit history. If, upon review by a Company loan officer, it is determined that the application meets the Company's underwriting criteria, or would meet such criteria with modification, the Company requests and reviews further information and supporting documentation and, ultimately, decides whether to purchase the Contract. When presented with an application, the Company attempts to notify the Dealer within four hours as to whether it intends to purchase such Contract. The Company buys Contracts directly from Dealers and does not make loans directly to purchasers of automobiles.

The Company has historically purchased Contracts from Dealers at discounts ranging from 0% to 10% of

the total amount financed under the Contracts, depending on the perceived credit risk of the Contract, plus a flat acquisition fee for each Contract purchased. Discounts averaged 4.1% and 2.8% for the years ended December 31, 1995 and 1996, respectively. The Company believes that the level of discounts and fees are a significant factor in the Dealer's decision to submit a Contract to the Company for purchase, and will continue to play such a role in the future. Effective January 10, 1997, the Company began purchasing all Contracts without a percentage discount, charging Dealers only a flat acquisition fee for each Contract purchased. The fees vary based on the perceived credit risk and, in some cases, the interest rate on the Contract. The flat fees instituted in January 1997 are larger than the fees previously charged in conjunction with percentage discounts, so as to result in a similar net purchase price on a typical Contract.

The Company attempts to control Dealer misrepresentation by carefully screening the Contracts it purchases, by establishing and maintaining professional business relationships with Dealers, and by including certain representations and warranties by the Dealer in the Dealer Agreement. Pursuant to the Dealer Agreement, the Company may require the Dealer to repurchase any Contract in the event that the Dealer breaches its representations or warranties or if a borrower fails, for any reason, to make timely payment of the first installment due under a Contract. There can be no assurance, however, that any Dealer will have the financial resources to satisfy its repurchase obligations to the Company.

BULK PURCHASES. The Company has purchased portfolios of Contracts and assumed the servicing thereon in bulk from other companies that had previously purchased the Contracts from Dealers. To date, the Company has made four such bulk purchases aggregating approximately \$22.9 million. In considering Bulk Purchases, the Company carefully evaluates the credit profile and payment history of each portfolio and negotiates the purchase price accordingly. The credit profiles of the Contracts in each of the portfolios purchased are similar to those in the underwriting standards used by the Company in its normal course of business. The Bulk Purchases were made at purchase prices ranging from 93.0% to 100.0% of the aggregate principal balance of the Contracts. The Company may consider the purchase of additional portfolios from third parties, but has not made any such purchases since August 1995. As of December 31, 1996, Contracts that were acquired in Bulk Purchases and not yet sold account for 0.2% of the Servicing Portfolio.

CONTRACT PURCHASE CRITERIA. To be eligible for purchase by the Company, a Contract must have been originated by a Dealer that has entered into a Dealer Agreement to sell Contracts to the Company. The Contracts must be secured by a first priority lien on a new or used automobile, light truck or passenger van and must meet the Company's underwriting criteria. In addition, each Contract requires the borrower to maintain physical damage insurance covering the financed vehicle and naming the Company as a loss payee. The Company or any purchaser of the Contract from the Company may, nonetheless, suffer a loss upon theft or physical damage of any financed vehicle if the borrower fails to maintain insurance as required by the Contract and is unable to pay for repairs to or replacement of the vehicle or is otherwise unable to fulfill its obligations under the Contract.

The Company believes that its objective underwriting criteria enable it to evaluate effectively the creditworthiness of Sub-Prime Borrowers and the adequacy of the financed vehicle as security for a Contract. These criteria include standards for price; term; amount of down payment, installment payment and add-on interest rate; mileage, age and type of vehicle; amount of the Contract in relation to the value of the vehicle; borrower's income level, job and residence stability, credit history and debt serviceability; and other factors. These criteria are subject to change from time to time as circumstances may warrant. Upon receiving this information with the borrower's application, the Company's underwriters will verify the borrower's employment, residency, insurance and credit information provided by the borrower by contacting various parties noted on the borrower's application, credit information bureaus and other sources. The Company typically completes its credit review and responds to the Dealer within four hours.

CREDIT SCORING. Since its inception the Company has purchased \$729.1 million in Contracts and, as of December 31, 1996, has an outstanding servicing portfolio of \$505.9 million. The Company's management information systems are structured to include a variety of credit and demographic data for each Contract as well as maintaining data which indicate each Contract's past or current performance

characteristics. Furthermore, the Company's technical staff have the ability to interrogate the database to compare performing and non-performing Contracts and to ascertain which demographic and credit related data elements may be predictors of credit performance.

In November 1996, the Company implemented a scoring model which assigns each Contract a numeric value (a "credit score") at the time the application is received from the Dealer and the borrower's credit information is retrieved from the credit reporting agencies. The credit score is based on a variety of parameters such as the borrower's job and residence stability, the amount of the down payment, and the age and mileage of the vehicle. The Company has developed the credit score as a means of improving its productivity by identifying Contracts where the characteristics are so strong (or alternatively, so weak), that the initial notification to the Dealer can be given without the more extensive analysis that a Company loan officer would give to a more average scoring Contract. Regardless of the credit score a Contract originally receives, the Company's underwriters perform the same extensive review and verification procedures on all Contracts. In addition to productivity improvements, the credit score is used to identify Contracts for which review by a supervisor or manager prior to approval and purchase may be appropriate.

Once an application is approved, financing documents are generated by the Dealer and the Company obtains a certificate of title for the vehicle when a lien is recorded, and various other documents pertaining to the borrower's credit application. After the documents are signed by the Dealer and the borrower, the Dealer sells the Contract to the Company. The borrower then receives monthly billing statements.

All of the Contracts purchased by the Company are fully amortizing and provide for level payments over the term of the Contract. The average original principal amount financed under Contracts purchased in the year ended December 31, 1996 was approximately \$12,606, with an average original term of approximately 54.0 months and an average down payment of 15.3%. Based on information contained in borrower applications, for this twelve-month period, the retail purchase price of the related automobiles averaged \$12,855 (which excludes tax and license fees, and any additional costs such as a maintenance contract), and the Company's average borrower at the time of purchase was approximately 37.0 years old, with approximately \$32,007 in average household income and an average of 4.6 years' history with his or her current employer.

All Contracts may be prepaid at any time without penalty. In the event a borrower elects to prepay a Contract in full, the payoff amount is calculated by deducting the unearned interest (as determined by the "Rule of 78s" method, where applicable) from the Contract balance. When a partial prepayment is made on a Contract originated in California, at the option of the borrower, the future monthly payments may be reduced pro rata by the aggregate amount of the prepayment, payment of the next succeeding regular monthly payments may be suspended, or the borrower may continue to make the regular monthly payments and thereby pay the Contract in full prior to its scheduled amortization. With respect to Contracts originated outside of California, the portion of each payment on the Contracts allocated to principal and interest and the payoff amount in the event of a full prepayment would be determined by the Rule of 78s method or such other interest amortization method as is permitted by applicable state law.

Each Contract purchased by the Company prohibits the sale or transfer of the financed vehicle without the Company's consent and allows for the acceleration of the maturity of a Contract upon a sale or transfer without such consent. In most circumstances, the Company will not consent to a sale or transfer of a financed vehicle unless the related Contract is prepaid in full.

The Company believes that the most important requirements to succeed in the sub-prime automobile financing market are the ability to control borrower and Dealer misrepresentation at the point of origination; the development and consistent implementation of objective underwriting criteria specifically designed to evaluate the creditworthiness of Sub-Prime Borrowers; and the maintenance of an active program to monitor performance and collect payments.

SECURITIZATION AND SALE OF CONTRACTS TO INSTITUTIONAL INVESTORS. The Company purchases Contracts with the intention of reselling them to Investors either as bulk sales or as asset-backed securities. Asset-backed securities are generally structured as follows: First, the Company sells a portfolio of Contracts to a wholly-owned subsidiary which has been established for the limited purpose of buying and reselling the Company's

Contracts. The subsidiary then sells the same Contracts to a grantor trust, and the grantor trust in turn issues interest-bearing asset-backed securities in an amount equal to the aggregate principal balance of the Contracts. One or more Investors purchase these asset-backed securities, the proceeds of which are used by the grantor trust to purchase the Contracts from the subsidiary, which uses such proceeds to purchase the Contracts from the Company. In addition, the Company provides a credit enhancement for the benefit of investors in the form of an initial cash deposit to a specific trust account ("Spread Account") and a deposit of certain excess servicing cash flows. Since its September 1995 securitization, and, it is expected, on an ongoing basis in the future, the Company altered the credit enhancement mechanism used in its securitizations to create and sell a subordinated security ("B Piece") in order to reduce the size of the required initial deposit to the Spread Account. The B Piece provides an additional credit enhancement to the senior security holders because distributions of interest on the B Piece are subordinated in priority of payment to interest due on the senior certificates and distributions of principal on the B Piece are subordinated in priority of payment to interest and principal due on the senior certificates. This revised structure may, if the Company is able to continue to sell the B Piece, reduce the amount of cash effectively used in securitizations. The Company continues to hold the B Piece associated with the June 1995 securitization but has sold all subsequent B Pieces. The Company believes it will be able to continue to sell the B Pieces created in its future securitizations. Purchasers of the asset-backed securities receive a particular coupon rate (the "Pass-Through Rate") established at the time of the sale. The Company receives periodic base servicing fees for its duties relating to the accounting for and collection of the Contracts. In addition, the Company is entitled to certain excess servicing fees that represent collections on the Contracts in excess of the amounts required to pay investor principal and interest, the base servicing fees and certain other fees such as trustee and custodial fees. Generally, the Company sells the Contracts at face value and without recourse except that the representations and warranties provided by the Dealer to the Company are similarly provided by the Company to the investor.

At the end of the month, the aggregate cash collections are allocated first to the base servicing fees and certain other fees such as trustee and custodial fees for the period, then to the asset-backed securities certificateholder in an amount equal to the interest accrued at the Pass-Through Rate on the portfolio plus the amount by which the portfolio balance decreased (due to payments, payoffs or charge-offs) during the period. If the amount of cash required for the above allocations exceeds the amount collected during the monthly period, the shortfall is drawn from the Spread Account. If the cash collected during the period exceeds the amount necessary for the above allocations, and there is no shortfall in the related Spread Account, the excess is returned to the Company or one of its subsidiaries. The excess cash flows are considered by the Company to be excess servicing fees, part of which the Company recognizes as a gain on sale based on an estimate of the discounted present value of the excess cash flows.

Each sale of asset-backed securities results in an increase in the Excess Servicing Receivables account on the Company's Consolidated Balance Sheet and the recognition of a "Net Gain on Sale of Contracts" on the Company's Consolidated Statement of Operations for the period in which the sale was made. The Excess Servicing Receivables account is increased by a portion of the gain recognized on each securitization which represents principally the net present value of estimated future cash flows relating to the Contracts which were sold, calculated as follows:

(i) the present value of all future interest and principal payments expected to be received by the Company over the remaining life of the Contracts;

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(ii) the Contracts' principal payments which are required to be passed through to the investors in the period in which they were received plus interest payments required to be made to investors at the Pass-Through Rate established at the time of securitization, and certain other fees and expenses associated with the securitization transaction, including the base servicing fee paid to the Company in respect of its obligations to service the borrowers' Contracts.

Because the APR on the Contracts received by the Company is relatively high in comparison to the Pass-Through Rate paid to investors, the net present value described above can be significant. In calculating the net gain on sale described above, the Company must estimate the future rates of prepayments, delinquencies,

defaults and default loss severity as they impact the amount and timing of the cash flows in the net present value calculation. The cash flows received by the Company are then discounted at an interest rate that the Company believes a third-party purchaser would require as a rate of return. Expected losses are discounted using a rate equivalent to the risk free rate for securities with a duration similar to that estimated for the underlying Contracts.

In future periods, the Company will recognize additional revenue in the Servicing Fees account if the actual performance of the Contracts is better than the original discounted estimate. Although the Company has never recognized a writedown against the Excess Servicing Receivables account, if the actual performance of the Contracts is worse than the original discounted estimate, then such a writedown would be required. The Company's actual excess servicing cash flows, however, historically have exceeded the Company's original discounted estimates.

The Company's first significant sales consisted of an aggregate of \$17.6 million of Contracts sold from October 1, 1991 through January 31, 1993 to GECC pursuant to an agreement that expired on December 31, 1992. On March 16, 1995, the Company sold an additional \$25.0 million in Contracts to GECC for an aggregate total of \$42.6 million sold to GECC. On April 7, 1993, the Company began selling Contracts to Sun Life pursuant to various agreements. As of December 31, 1996, the Company had sold approximately \$100.1 million in Contracts to Sun Life, \$42.1 million of which was sold in the form of "Aaa/AAA" rated securities, as discussed below. As of December 31, 1996, the unpaid balance of the Contracts sold to Sun Life was approximately \$25.0 million and the unpaid balance of Contracts sold to GECC was approximately \$11.2 million.

Contract sales to GECC were in the form of whole loan sales. All of the Contracts sold to Sun Life have been in the form of asset-backed securities issued by grantor trusts to which a wholly-owned subsidiary of the Company has sold the Contracts. The first \$58.1 million of the certificates sold to Sun Life were rated "A" by Duff & Phelps Credit Rating Co. The principal and interest due on the remaining \$42.0 million of the certificates sold to Sun Life are guaranteed by Financial Security Assurance Inc. ("FSA"), and, as a result, such certificates were rated "Aaa" by Moody's Investors Service and "AAA" by Standard & Poor's Corporation.

On June 23, 1994, the Company began using various investment banking firms to place its asset-backed securities issues. The certificates have been issued by grantor trusts to which a wholly owned subsidiary of the Company has sold the related Contracts. Through December 31, 1996, the Company had delivered approximately \$612.3 million principal amount of Contracts (of which approximately \$461.7 million was outstanding at December 31, 1996) to twelve grantor trusts pursuant to these arrangements. The principal and interest due on the certificates issued pursuant to these arrangements are guaranteed by FSA and, as a result, such certificates are rated "Aaa" by Moody's Investors Services and "AAA" by Standard & Poor's Corporation. Since June 1996, the Company has sold such "AAA"-rated certificates in public offerings pursuant to registration statements filed with the Securities and Exchange Commission.

In connection with the sale of the Contracts, the Company is required to make certain representations and warranties, which generally duplicate the substance of the representations and warranties made by Dealers in connection with the Company's purchase of the Contracts. If the Company breaches any of its representations or warranties to a purchaser of the Contracts, the Company will be obligated to repurchase the Contract from such purchaser at a price equal to such purchaser's purchase price less the related cash securitization reserve and any payments received by such purchaser on the Contract. In most cases, the Company would then be entitled under the terms of its Dealer Agreement to require the selling Dealer to repurchase the Contract at a price equal to the Company's purchase price, less any payments made by the borrower. Subject to any recourse against Dealers, the Company will bear the risk of loss on repossession and resale of vehicles under Contracts repurchased by it.

TERMS OF SERVICING AGREEMENTS. The Company currently services all Contracts sold and expects to service all Contracts that it purchases and sells in the future, whether structured as whole loan sales or sales of asset-backed securities. Pursuant to the Company's usual form of servicing agreement (the Company's servicing agreements are collectively referred to as the "Servicing Agreements"), the Company is obligated to service all Contracts sold to the investors or trusts in accordance with the Company's standard procedures. The Servicing Agreements generally provide that the Company will bear all costs and expenses incurred in connection with the management, administration and collection of the Contracts serviced. The Servicing Agreements also provide that the Company will take all actions necessary or reasonably requested by the investor to maintain perfection and priority of the investor's or the trust's security interest in the financed vehicles.

Upon the sale of a portfolio of Contracts to an investor or a trust, the Company mails to borrowers monthly billing statements directing them to mail payments on the Contracts to a lock-box account. The Company engages an independent lock-box processing agent to retrieve and process payments received in the lock-box account. This results in a daily deposit to the investor's or the trust's bank account of the entire amount of each day's lock-box receipts and the simultaneous electronic data transfer to the Company of borrower payment data for posting to the Company's computerized records. Pursuant to the Servicing Agreements, the Company is required to deliver monthly reports to the investor or the trust reflecting all transaction activity with respect to the Contracts. The reports contain, among other information, a reconciliation of the change in the aggregate principal balance of the Contracts in the portfolio to the amounts deposited into the investor's or the trust's bank account as reflected in the daily reports of the lock-box processing agent.

The Company is entitled under most of the Servicing Agreements to receive a base monthly servicing fee of 2.0% per annum computed as a percentage of the declining outstanding principal balance of each Contract in the portfolio that is not in default as of the beginning of the month. Each month, after payment of the Company's base monthly servicing fee and certain other fees, the investor receives the paid principal reduction of the Contracts in its portfolios and interest thereon at the Pass-Through Rate. If, in any month, collections on the Contracts are insufficient to pay such amounts and any principal reduction due to charge-offs, the shortfall is satisfied from the Spread Account established in connection with the sale of the portfolio. (If the Spread Account is not sufficient to satisfy a shortfall, then the investor or trust may suffer a loss to the extent that the shortfall exceeds the Spread Account.) If collections on the Contracts exceed such amounts, the excess is utilized, first, to build up or replenish the Spread Account to the extent required, next, to cover deficiencies in Spread Accounts for other portfolios, and the balance, if any, constitutes excess servicing fees, which are distributed to the Company. If, in any month, the Spread Account balance is in excess of that required under the commitment or the Servicing Agreements, the Company is entitled to receive such excess. The Servicing Agreements also provide that the Company is entitled to receive certain late fees collected from borrowers.

Pursuant to the Servicing Agreements, the Company is generally required to charge off the balance of any Contract by the earlier of the end of the month in which the Contract becomes five scheduled installments past due or, in the case of repossessions, the month that the proceeds from the liquidation of the financed vehicle are received by the Company. In the case of a repossession, the amount of the charge-off is the difference between the outstanding principal balance of the defaulted Contract and the repossession sale proceeds. In the event collections on the Contracts are not sufficient to pay to the investor the entire principal balance of any Contracts charged off during the month, the Spread Account established in connection with the sale of the Contracts is reduced by the unpaid principal amount of such Contracts. Such amount would then have to be restored to the Spread Account from future collections on the Contracts remaining in the portfolio before the Company would again be entitled to excess servicing fees. In addition, the Company would not be entitled to receive any further base monthly servicing fees with respect to the defaulted Contracts. Subject to any recourse against the Company in the event of a breach of the Company's representations and warranties with respect to any Contracts and after any recourse to any FSA guarantees backing the certificates, the investor bears the risk of all charge-offs on the Contracts in excess of the Spread Account. However, the Company would experience a reduction of excess servicing fees in the event of greater than anticipated charge-offs or prepayments on Contracts sold and serviced by the Company.

The Servicing Agreements are terminable by the investor in the event of certain defaults by the Company and under certain other circumstances.

SERVICING OF CONTRACTS

GENERAL. The Company's servicing activities, both with respect to portfolios of Contracts sold by it and with respect to loans owned or originated by third parties, consist of collecting, accounting for and posting of all payments received; responding to borrower inquiries; taking all necessary action to maintain the security interest granted in the financed vehicle or other collateral; investigating delinquencies; communicating with the borrower to obtain timely payments; repossessing and reselling the collateral when necessary; and generally monitoring each Contract and any related collateral.

COLLECTION PROCEDURES. The Company believes that its ability to monitor performance and collect payments owed from Sub-Prime Borrowers is primarily a function of its collection approach and support systems. The Company believes that if payment problems are identified early and the Company's collection staff works closely with borrowers to address these problems, it is possible to correct many of them before they deteriorate further. To this end, the Company utilizes pro-active collection procedures, which include making early and frequent contact with delinquent borrowers; educating borrowers as to the importance of maintaining good credit; and employing a consultative and customer service approach to assist the borrower in meeting his or her obligations, which includes attempting to identify the underlying causes of delinquency and cure them whenever possible. In support of its collection activities, the Company maintains a computerized collection system specifically designed to service automobile installment sale contracts with Sub-Prime Borrowers and similar consumer loan contracts. See "Business -- Management Information Systems."

With the aid of its high penetration auto dialer, the Company typically attempts to make telephonic contact with delinquent borrowers on the sixth day after their monthly payment due date. Using coded instructions from a collection supervisor, the automatic dialer will attempt to contact borrowers based on their physical location, state of delinquency, size of balance or other parameters. If the automatic dialer obtains a "no-answer" or a busy signal, it records the attempt on the borrower's record and moves on to the next call. If a live voice answers the automatic dialer's call, the call is transferred to a waiting collector at the same time that the borrower's pertinent information is simultaneously displayed on the collector's workstation. The collector then inquires of the borrower the reason for the delinquency and when the Company can expect to receive the payment. The collector will attempt to get the borrower to make a promise for the delinquent payment for a time generally not to exceed one week from the date of the call. If the borrower makes such a promise, the account is routed to a pending queue and is not contacted until the outcome of the promise is known. If the payment is made by the promise date and the account is no longer delinquent, the account is routed out of the collection system. If the payment is not made, or if the payment is made, but the account remains delinquent, the account is returned to the automatic dialing queue for subsequent contacts.

If a borrower fails to make or keep promises for payments, or if the borrower is uncooperative or attempts to evade contact or hide the vehicle, a supervisor will review the collection activity relating to the account to determine if repossession of the vehicle is warranted. Generally, such a decision will occur between the 45th and 90th day past the borrower's payment due date, but could occur sooner or later, depending on the specific circumstances.

If a decision to repossess is made by a supervisor, such assignment is given to one of many licensed, bonded repossession agents used by the Company. When the vehicle is recovered, the repossession agent delivers it to a wholesale auto auction where it is kept until it is liquidated, usually within 30 days of the repossession. Liquidation proceeds are applied to the borrower's outstanding obligation under the Contract and the borrower is advised of his obligation to pay any deficiency balance that remains. The Company uses all practical means available to collect deficiency balances, including filing for judgments against borrowers where applicable.

The goal of the Company's collection efforts under the Servicing Agreements is to minimize delinquencies, repossessions and charge-offs under the portfolios of Contracts serviced. If the situation so merits, the Company may extend or modify a Contract within parameters specified in the Servicing

Agreement.

The Company's excess servicing fees are impacted by the relative performance of the portfolios of Contracts it has sold to institutional investors. The tables below document the delinquency, repossession and net credit loss experience of all Contracts originated by the Company since its inception:

DELINQUENCY EXPERIENCE(1)

	DECEMBER 31, 1996		DECEMBER 31, 1995		MARCH 31, 1995	
	NUMBER OF LOANS	AMOUNT	NUMBER OF LOANS	AMOUNT	NUMBER OF LOANS	AMOUNT
	(DOLLARS IN THOUSANDS)					
Gross Servicing Portfolio	47,187	\$604,092	27,113	\$355,965	18,106	\$247,642
Period of delinquency (2)						
31-60 days	1,801	22,099	909	11,520	298	3,865
61-90 days	724	9,068	203	2,654	63	885
91 + days	768	9,906	272	3,899	87	1,370
Total delinquencies	3,293	41,073	1,384	18,073	448	6,120
Amount in repossession (3)	1,168	14,563	834	10,151	323	4,792
Total delinquencies and amount in repossession (2)	4,461	55,636	2,218	28,224	771	10,912
Delinquencies as a percent of gross Servicing Portfolio	7.0%	6.8%	5.1%	5.1%	2.5%	2.5%
Total delinquencies and amount in repossession as a percent of gross Servicing Portfolio	9.5%	9.2%	8.2%	7.9%	4.3%	4.4%

(1) All amounts and percentages are based on the full amount remaining to be repaid on each Contract, including, for Rule of 78s Contracts, any unearned finance charges. The information in the table represents the principal amount of all Contracts purchased (excluding Bulk Purchases not yet sold) by the Company, including Contracts subsequently sold by the Company which it continues to service.

(2) The Company considers a Contract delinquent when an obligor fails to make at least 90% of a contractually due payment by the following due date. The period of delinquency is based on the number of days payments are contractually past due. Contracts less than 31 days delinquent are not included.

(3) Amount in repossession represents financed vehicles which have been repossessed but not yet liquidated.

NET CHARGE-OFF EXPERIENCE(1)

	YEAR ENDED DECEMBER 31, 1996	TRANSITION PERIOD ENDED DECEMBER 31, 1995	FISCAL YEAR ENDED MARCH 31, 1995
	(DOLLARS IN THOUSANDS)		
Average Servicing Portfolio outstanding	\$397,430	\$240,864	\$128,004
Net charge-offs as a percent of average Servicing Portfolio(3)	5.1%	4.6%	3.4%

(1) All amounts and percentages are based on the principal amount scheduled to be paid on each Contract. The information in the table represents all Contracts purchased by the Company including Contracts subsequently sold by the Company which it continues to service.

(2) The percentages set forth for the nine-month transition period ended December 31, 1995, are computed using annualized operating data which do not necessarily represent comparable data for a full twelve-month period.

(3) Net charge-offs include the remaining principal balance, after the application of the net proceeds from the liquidation of the vehicle (excluding accrued and unpaid interest). Post-liquidation amounts received on previously charged-off Contracts are applied to the period in which the related Contract was originally charged off. Excludes Bulk Purchases not yet sold and uninsured casualty losses.

MANAGEMENT INFORMATION SYSTEMS

The Company maintains sophisticated data processing support and management information systems. To support its collection efforts, the Company utilizes Digital Systems International's Intelligent Dialing System-TM-, a high-penetration automatic dialer, in conjunction with the American Management Systems' Computer Assisted Collection System software, which has been customized by the Company, and numerous accounting software programs. All systems are operated at the Company's offices on an Advance System IBM AS/400 computer.

The Company's high-penetration automatic dialer controls multiple telephone lines and automatically dials numbers from file records in accordance with programmed instructions established by management. If the dialer receives a busy signal or no answer, it will generally route the number for a subsequent re-call. The dialer has the ability to distinguish a pre-recorded voice and will leave the appropriate digitized human voice message on the borrower's answering machine. Generally, the dialer transfers the call to a collector only after it has determined that there is a live voice on the line. In most instances, this is accomplished so rapidly that the individual receiving the call is unaware that an automatic dialer has been used. The efficiency of the auto dialer allows the Company to place as many as 5,000 telephone calls per day.

The high-penetration automatic dialer also monitors telephone activity and activates more telephone lines when connect rates are low or shuts down lines when connect rates are high. Once a live call is passed to a collector, all relevant account information, including one of 99 account status codes, automatically appears on the collector's video screen. The Company believes the capabilities of the automatic dialer reduce the likelihood that an account will remain delinquent for a prolonged period without appropriate follow-up.

The Company's automation allows it to electronically sort and prioritize each collector's workload as well as to implement specific collection strategies. Moreover, the Company has adopted certain procedural controls designed to ensure that certain important decisions, such as ordering a repossession, initiating legal action or materially modifying an account, are automatically routed to a supervisor for review and approval.

The Company believes that the capacity of its existing data processing support and management information systems is sufficient to allow the Company to substantially expand its business without significant additional capital expenditures.

COMPETITION

The automobile financing business is highly competitive. The Company competes with a number of national, local and regional finance companies with operations similar to those of the Company. In addition, competitors or potential competitors include other types of financial services companies, such as commercial banks, savings and loan associations, leasing companies, credit unions providing retail loan financing and lease financing for new and used vehicles, and captive finance companies affiliated with major automobile manufacturers such as General Motors Acceptance Corporation, Ford Motor Credit Corporation, Chrysler Credit Corporation and Nissan Motors Acceptance Corporation. Many of the Company's competitors and potential competitors possess substantially greater financial, marketing, technical, personnel and other resources than the Company. Moreover, the Company's future profitability will be directly related to the availability and cost of its capital in relation to the availability and cost of capital to its competitors. The Company's competitors and potential competitors include far larger, more established companies that have access to capital markets for unsecured commercial paper and investment grade-rated debt instruments and to other funding sources which may be unavailable to the Company. Many of these companies also have long-standing relationships with Dealers and may provide other financing to dealers, including floor plan financing for the Dealers' purchase of automobiles from manufacturers, which is not offered by the Company.

The Company believes that the principal competitive factors affecting a Dealer's decision to offer

Contracts for sale to a particular financing source are the purchase price offered for the Contracts, the reasonableness of the financing source's underwriting guidelines and documentation requests, the predictability and timeliness of purchases and the financial stability of the funding source. The Company believes that it can obtain from Dealers sufficient Contracts for purchase at attractive prices by consistently applying reasonable underwriting criteria and making timely purchases of qualifying Contracts.

The Company believes that it can compete effectively for the interest of institutional investors in purchasing Contracts acquired by the Company based upon the historical performance of portfolios of Contracts sold and serviced by it and its willingness to establish substantial Spread Accounts for the benefit of investors and to derive a portion of its revenues from excess servicing fees paid on a monthly basis rather than up-front fees paid at the time of sale of the Contracts.

MARKETING

The Company establishes relationships with Dealers through Company representatives that contact a prospective Dealer to explain the Company's Contract purchases and thereafter provide Dealer training and support services. As of December 31, 1996, the Company had 48 representatives, 31 of whom are employees and 17 of whom are independent. The independent representatives are contractually obligated to represent the Company's financing program exclusively. The Company's representatives present the Dealer with a marketing package, which includes the Company's promotional material containing the current discount rate offered by the Company for the purchase of Contracts, a copy of the Company's standard-form Dealer Agreement, examples of monthly reports and required documentation relating to Contracts, but they have no authority relating to the decision to purchase Contracts from Dealers. The Company's acceptance of a Dealer is subject to its analysis of, among other things, the Dealer's operating history.

The Company has not actively advertised its automobile financing or third-party loan servicing businesses, although it may do so selectively in the future.

GOVERNMENT REGULATION

The Company intends to obtain and maintain all licenses necessary to the lawful conduct of its business and operations. The Company is not licensed to make loans directly to borrowers.

Several federal and state consumer protection laws, including the Federal Truth-In-Lending Act, the Federal Equal Credit Opportunity Act, the Federal Fair Debt Collection Practices Act and the Federal Trade Commission Act, regulate the extension of credit in consumer credit transactions. These laws mandate certain disclosures with respect to finance charges on Contracts and impose certain other restrictions on Dealers. In addition, laws in a number of states impose limitations on the amount of finance charges that may be charged by Dealers on credit sales. The so-called Lemon Laws enacted by the federal government and various states provide certain rights to purchasers with respect to motor vehicles that fail to satisfy express warranties. The application of Lemon Laws or violation of such other federal and state laws may give rise to a claim or defense of a borrower against a Dealer and its assignees, including the Company and purchasers of Contracts from the Company. The Dealer Agreement contains representations by the Dealer that, as of the date of assignment of Contracts, no such claims or defenses have been asserted or threatened with respect to the Contracts and that all requirements of such federal and state laws have been complied with in all material respects. Although a Dealer would be obligated to repurchase Contracts that involve a breach of such warranty, there can be no assurance that the Dealer will have the financial resources to satisfy its repurchase obligations to the Company. Certain of these laws also regulate the Company's servicing activities, including its methods of collection.

Although the Company believes that it is currently in compliance with applicable statutes and regulations, there can be no assurance that the Company will be able to maintain such compliance. The failure to comply with such statutes and regulations could have a material adverse effect upon the Company. Furthermore, the adoption of additional statutes and regulations, changes in the interpretation and enforcement of current statutes and regulations or the expansion of the Company's business into jurisdictions that have adopted more stringent regulatory requirements than those in which the Company currently conducts business could have a

material adverse effect upon the Company. In addition, due to the consumer-oriented nature of the industry in which the Company operates and the application of certain laws and regulations, industry participants are regularly named as defendants in litigation involving alleged violations of federal and state laws and regulations and consumer law torts, including fraud. Many of these actions involve alleged violations of consumer protection laws. Although the Company is not involved in any material litigation, a significant judgment against the Company or within the industry in connection with any such litigation could have a material adverse effect on the Company's financial condition and results of operations.

Upon the purchase of Contracts by the Company, the original Contracts and related title documents for the financed vehicles are delivered by the selling Dealers to the Company. Upon the sale of each portfolio of Contracts by the Company, a financing statement is filed under the Uniform Commercial Code as adopted in the applicable state (the "UCC") to perfect and give notice of the purchaser's security interest in the Contracts.

The Dealer Agreement and related assignment contain representations and warranties by the Dealer that an application for state registration of each financed vehicle, naming the Company as secured party with respect to the vehicle, was effected at the time of sale of the related Contract to the Company, and that all necessary steps have been taken to obtain a perfected first priority security interest in each financed vehicle in favor of the Company under the laws of the state in which the financed vehicle is registered. If a Dealer or the Company, because of clerical error or otherwise, has failed to take such action in a timely manner, or to maintain such interest with respect to a financed vehicle, neither the Company nor any purchaser of the related Contract from the Company would have a perfected security interest in the financed vehicle and its security interest may be subordinate to the interest of, among others, subsequent purchasers of the financed vehicle, holders of perfected security interests and a trustee in bankruptcy of the borrower. The security interest of the Company or the purchaser of a Contract may also be subordinate to the interests of third parties if the interest is not perfected due to administrative error by state recording officials. Moreover, fraud or forgery by the borrower could render a Contract unenforceable against third parties. In such events, the Company could be required by the purchaser to repurchase the Contract. In the event the Company is required to repurchase a Contract, it will generally have recourse against the Dealer from which it purchased the Contract. This recourse will be unsecured except for a lien on the vehicle covered by the Contract, and there can be no assurance that any Dealer will have the financial resources to satisfy its repurchase obligations to the Company. Subject to any recourse against Dealers, the Company will bear any loss on repossession and resale of vehicles financed under Contracts repurchased by it from investors.

Under the laws of many states, liens for storage and repairs performed on a vehicle and for unpaid taxes take priority over a perfected security interest in the vehicle. Pursuant to its securitization purchase commitments, the Company generally warrants that, to the best of the Company's knowledge, no such liens or claims are pending or threatened with respect to a financed vehicle, which may be or become prior to or equal with the lien of the related Contracts. In the event that any of the Company's representations or warranties proves to be incorrect, the trust or the investor would be entitled to require the Company to repurchase the Contract relating to such financed vehicle.

The Company, on behalf of purchasers of Contracts, may take action to enforce the security interest in financed vehicles with respect to any related Contracts in default by repossession and resale of the financed vehicles. The UCC and other state laws regulate repossession sales by requiring that the secured party provide the borrower with reasonable notice of the date, time and place of any public sale of the collateral, the date after which any private sale of the collateral may be held and of the borrower's right to redeem the financed vehicle prior to any such sale and by providing that any such sale be conducted in a commercially reasonable manner. Financed vehicles repossessed generally are resold by the Company through unaffiliated wholesale automobile networks or auctions, which are attended principally by used car dealers.

In the event of a repossession and resale of a financed vehicle, after payment of outstanding liens for storage, repairs and unpaid taxes, to the extent those liens take priority over the Company's security interest, and after payment of the reasonable costs of retaking, holding and selling the vehicle, the secured party would be entitled to be paid the full outstanding balance of the Contract out of the sale proceeds before payments are made to the holders of junior security interests in the financed vehicles, to unsecured creditors of the borrower, or, thereafter, to the borrower. Under the UCC and other laws applicable in most states (including

California), a creditor is entitled to obtain a deficiency judgment from a borrower for any deficiency on repossession and resale of the motor vehicle securing the unpaid balance of such borrower's Contract. However, some states impose prohibitions or limitations on deficiency judgments. If a deficiency judgment were granted, the judgment would be a personal judgment against the borrower for the shortfall, and a defaulting borrower may often have very little capital or few sources of income available following repossession. Therefore, in many cases, it may not be useful to seek a deficiency judgment against a borrower or, if one is obtained, it may be settled at a significant discount.

PROPERTY

The Company's headquarters are located in Irvine, California, where it leases approximately 51,400 square feet of general office space from an unaffiliated lessor. The annual rent is \$524,596 through the year 2000, the final year of the lease. In addition, the Company pays the property taxes, maintenance and other common area expenses of the premises, currently at the approximate annual rate of \$98,000. All such amounts are payable monthly. The Company has an option to extend the lease for an additional five years upon terms substantially similar to those of the existing lease.

The Company plans to establish a branch facility in Chesapeake, Virginia. The Company has agreed to lease approximately 18,600 square feet of general office space in Chesapeake at an initial annual rent of \$260,666, increasing to \$333,652 over a ten-year term. In addition, the Company is in discussions with its current landlord in California regarding a lease of a larger headquarters location or of additional space. Although the terms of any such lease have not been fixed as yet, the Company believes that adequate facilities are available.

EMPLOYEES

As of December 31, 1996, the Company had 325 full-time and 5 part-time employees, of whom 10 are management personnel, 102 are collections personnel, 119 are Contract origination personnel, 37 are marketing representatives, 53 are operations personnel, and 9 are accounting personnel. The Company believes that its relations with its employees are good. The Company is not a party to any collective bargaining agreement.

LEGAL PROCEEDINGS

As of the date of this Prospectus, the Company was not involved in any material litigation in which it is the defendant. The Company regularly initiates legal proceedings as a plaintiff in connection with its routine collection activities.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The current directors and executive officers of the Company are as follows:

NAME ----	AGE ---	POSITION -----
Charles E. Bradley Sr.	67	Chairman of the Board of Directors
Charles E. Bradley Jr.	37	President, Chief Executive Officer, and
William B. Roberts	59	Director
John G. Poole	54	Vice Chairman of the Board of Directors
Robert A. Simms	58	Director
Thomas L. Chrystie	63	Director
Jeffrey P. Fritz	37	Senior Vice President - Chief Financial Officer and Secretary
William L. Brummund, Jr.	44	Senior Vice President - System Administration
Nicholas P. Brockman	52	Senior Vice President - Asset Recovery & Liquidation
Richard P. Trotter	53	Senior Vice President - Contract Origination
Curtis K. Powell	40	Senior Vice President - Marketing
Mark A. Creatura	37	Senior Vice President - General Counsel

CHARLES E. BRADLEY, SR. has been the Chairman of the Board of the Company since its formation in March 1991. Mr. Bradley is one of the founders of Stanwich Partners, Inc. ("Stanwich"), a Connecticut investment firm which acquires controlling interests in companies in conjunction with the existing operating management of such companies, and has been President, a director and a shareholder of that company since its formation in 1982. He is also President and director of Reunion Industries, Inc., a publicly held company which manufactures precision plastic products and provides engineered plastics services. Mr. Bradley also served as President and a director of CPS Holdings, Inc., the Company's former parent corporation, from August 1989 until its merger into the Company in December 1995. He currently is a director of DeVlieg-Bullard, Inc., Chatwins Group, Inc., Texon Energy Corp., General Housewares Corp., NAB Asset Corporation (38% of whose outstanding shares of voting stock are held by the Company), Zydeco Exploration, Inc., Sanitas, Inc. and Audits and Surveys Worldwide, all of which are publicly-held corporations or are required to file periodic reports under Section 13 or 15(d) of the Securities Exchange Act of 1934. Mr. Bradley is the father of Charles E. Bradley, Jr.

CHARLES E. BRADLEY, JR. has been the President and a director of the Company since its formation in March 1991. In January 1992, Mr. Bradley was appointed Chief Executive Officer of the Company. From March 1991 until December 1995 he served as Vice President and a director of CPS Holdings, Inc. From April 1989 to November 1990, he served as Chief Operating Officer of Barnard and Company, a private investment firm. From September 1987 to March 1989, Mr. Bradley, Jr. was an associate of The Harding Group, a private investment banking firm. Mr. Bradley, Jr. is currently serving as a director of NAB Asset Corporation, Chatwins Group, Inc., Texon Energy Corporation, Thomas Nix Distributor, Inc., and CARS USA. Charles E. Bradley, Sr. is his father.

WILLIAM B. ROBERTS has been a director of the Company since its formation in March 1991. Since 1981, he has been the President of Monmouth Capital Corp., an investment firm which specializes in management buyouts. Mr. Roberts serves on the board of directors of Atlantic City Racing Association, a publicly-held corporation, which owns and operates a race track.

JOHN G. POOLE has been a director of the Company since November 1993 and its Vice Chairman since January 1996. He was a co-founder of Stanwich in 1982 and has been a director, vice president and shareholder of that company since its formation. Mr. Poole is a director of Reunion Industries, Inc., Sanitas, Inc., Chatwins Group, Inc., and DeVlieg-Bullard, Inc. Mr. Poole served as a director and Vice President of CPS Holdings, Inc. from 1993 to 1995.

ROBERT A. SIMMS has been a director of the Company since April 1995. He has been the Chairman and Chief Executive Officer of Simms Capital Management, Inc. since 1984. He is also a director of New York Bancorp, Arrhythmia Research Technology, Inc. and the National Football Foundation and Hall of Fame. Mr. Simms also serves on the Board of Overseers of Rutgers University and was formerly a partner in Bear Stearns & Co.

THOMAS L. CHRYSTIE has been a director of the Company since April 1995. He has been self-employed as an investor since 1988. His previous experience includes 33 years at Merrill Lynch & Co. in various capacities including heading Merrill Lynch's investment banking, capital markets and merchant banking activities. In addition, he served as Merrill Lynch & Co.'s Chief Financial Officer. He is also a director of Titanium Industries, Eonyx Corporation and Wyoming Properties.

JEFFREY P. FRITZ has been Senior Vice President - Chief Financial Officer and Secretary of the Company since March 1991. From December 1988 to March 1991, Mr. Fritz was Vice President and Chief Financial Officer of Far Western Bank. From 1985 to December 1988, Mr. Fritz was a management consultant for Price Waterhouse in St. Louis, Missouri.

WILLIAM L. BRUMMUND, JR. has been Senior Vice President - Systems Administration since March 1991. From 1986 to March 1991, Mr. Brummund was Vice President and Systems Administrator for Far Western Bank.

NICHOLAS P. BROCKMAN has been Senior Vice President - Asset Recovery & Liquidation since January 1996. He was Senior Vice President of Contract Originations from April 1991 to January 1996. From 1986 to March 1991, Mr. Brockman served as a Vice President and Branch Manager of Far Western Bank.

RICHARD P. TROTTER has been Senior Vice President-Contract Origination since January 1995. He was Senior Vice President of Administration from April 1995 to December 1995. From January 1994 to April 1995 he was Senior Vice President-Marketing of the Company. From December 1992 to January 1994, Mr. Trotter was Executive Vice President of Lange Financial Corporation, Newport Beach, California. From May 1992 to December 1992, he was Executive Director of Fabozzi, Prenovost & Normandin, Santa Ana, California. From December 1990 to May 1992 he was Executive Vice President/Chief Operating Officer of R. Thomas Ashley, Newport Beach, California. From April 1984 to December 1990, he was President/Chief Executive Officer of Far Western Bank, Tustin, California.

CURTIS K. POWELL has been Senior Vice President - Marketing of the Company since April 1995. He joined the Company in January 1993 as an independent marketing representative until being appointed Regional Vice President of Marketing for Southern California in November 1994. From June 1985 through January 1993, Mr. Powell was in the retail automobile sales and leasing business.

MARK A. CREATURA has been Senior Vice President - General Counsel since October 1996. From October 1993 through October 1996, he was Vice President and General Counsel at Urethane Technologies, Inc., a polyurethane chemicals formulator. Mr. Creatura was previously engaged in the private practice of law with the Los Angeles law firm of Troy & Gould Professional Corporation, from October 1985 through October 1993.

The Board of Directors has established an Audit Committee and Compensation and Stock Option Committee. The members of the Audit Committee are Robert A. Simms, Thomas L. Chrystie and William B. Roberts. The Audit Committee is empowered by the Board of Directors to review the financial books and records of the Company in consultation with the Company's accounting and auditing staff and its independent auditors and to review with the accounting staff and independent auditors any questions raised with respect to accounting and auditing policy and procedure.

The members of the Compensation and Stock Option Committee are Robert A. Simms, Thomas L. Chrystie and William B. Roberts. This Committee makes recommendations to the Board of Directors as to general levels of compensation for all employees of the Company, the annual salary of each of the executive officers of the Company, authorizes the grants options to employees under the Company's 1991 Stock Option Plan, and reviews and approves compensation and benefit plans of the Company.

CERTAIN TRANSACTIONS

On January 3, 1996, the Company and Stanwich (an affiliate of the Company) entered into an agreement pursuant to which Stanwich provides consulting services on a non-exclusive basis for a three year period ended December 31, 1998 for fee of \$75,000 per year.

The Company has purchased 80% of the outstanding stock of Stanwich Leasing, Inc. ("SLI") from Charles E. Bradley, Sr., Chairman of the Board of Directors and a principal stockholder, and John G. Poole, a director of the Company, for a purchase price of \$100,000. The transaction was considered and approved by the independent members of the Board of Directors of the Company, namely Messrs. Chrystie, Roberts and Simms.

The agreements and arrangements described above were not entered into between parties negotiating or dealing on an arm's length basis, but were entered into by the Company with the parties who personally benefited from such transactions and who had a control or fiduciary relationship with the Company.

PRINCIPAL SHAREHOLDERS

The following table sets forth the number and percentage of shares of Common Stock owned beneficially as of February 28, 1997: (i) by each person known to the Company to own more than 5% of the outstanding Common Stock, (ii) by each director and executive officer of the Company, and (iii) by all directors and officers of the Company as a group.

Except as otherwise indicated, and subject to applicable community property and similar laws, each of the persons named has sole voting and investment power with respect to the shares shown as beneficially owned by such persons. The address of Messrs. Bradley, Jr., Brockman, Fritz, Brummund, Trotter, Powell and Creatura is c/o Consumer Portfolio Services, Inc., 2 Ada, Irvine, CA 92618.

NAME & ADDRESS OF BENEFICIAL OWNER -----	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP (1) -----	PERCENT OF CLASS -----
Charles E. Bradley, Sr. c/o Stanwich Partners, Inc., 62 Southfield Avenue, Stamford, CT 06902	2,895,137 (2)	19.5%
William B. Roberts Monmouth Capital Corp., 126 East 56th Street, 12th Floor New York, NY 10022	1,233,982	8.5%
John G. Poole c/o Stanwich Partners, Inc., 62 Southfield Avenue, Stamford, CT 06902	284,360 (3)	2.0%
Thomas L. Chrystie, P.O. Box 640, Wilson, WY 83014	60,000 (4)	*
Robert A. Simms, 55 Railroad Ave., Plaza Suite Greenwich, CT 06830	217,144 (5)	1.5%
Charles E. Bradley, Jr.	1,572,920 (6)	10.8%
Nicholas P. Brockman	90,600	*
Jeffrey P. Fritz	90,600	*
William L. Brummund, Jr.	89,600	*
Richard P. Trotter	54,086	*
Curtis K. Powell	19,300	*
Mark A. Creatura	8,000	*
All officers and directors as a group (sixteen persons)	6,081,209 (7)	38.8%
Sun Life Insurance Company of America One Sun America Center, Los Angeles, CA 90067	1,013,332	7.1%
Robert T. Gilhuly and Kimball J. Bradley, Trustees c/o Cummings & Lockwood Two Greenwich Plaza, Box 2505, Greenwich, CT 06830	1,058,818 (8)	7.4%

* Less than 1%

- (1) Includes the following shares which are not currently outstanding but which the named individuals have the right to acquire currently or within 60 days of February 28, 1997 upon exercise of options: Charles E. Bradley, Sr. - 600,000 shares; William B. Roberts - 200,000 shares; Thomas L. Chrystie - 20,000 shares; Robert A. Simms - 20,000 shares; Charles E. Bradley, Jr. - 267,640 shares; Jeffrey P. Fritz - 70,600 shares; William L. Brummund, Jr. - 49,600 shares; Richard P. Trotter - 53,686 shares; Nicholas P. Brockman - 36,600 shares; Curtis K. Powell - 19,300 shares; Mark A. Creatura - 8,000 shares; and all directors and officers as a group (16 persons) - 1,400,906 shares. The shares described in this note are deemed to be outstanding for the purpose of computing the percentage of outstanding Common Stock owned by such persons individually and by the group, but are not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person.
- (2) Includes 207,490 shares owned by the named person's spouse as to which he has no voting or investment power; and 600,000 shares that Mr. Bradley, Jr., has the presently exercisable right to acquire from Mr. Bradley, Sr.
- (3) Includes 2,000 shares held by Mr. Poole as custodian for his children.
- (4) Includes 40,000 shares held by the Thomas L. Chrystie Living Trust.
- (5) Includes 16,944 shares owned by Mr. Simms' spouse as to which he has no voting or investment power.
- (6) Includes 211,738 shares held by a trust of which Mr. Bradley is the beneficiary, as to which he has no voting or investment power. Also includes, in addition to the 267,640 shares referred to in footnote 1, 600,000 shares that Mr. Bradley, Jr. has the presently exercisable right to acquire from Mr. Bradley, Sr.
- (7) Includes an aggregate of 1,400,906 shares which are not currently outstanding, but which may be acquired by officers and directors of the company within 60 days of February 28, 1997.
- (8) These shares are held in trusts of which the beneficiaries are Charles E. Bradley, Sr.'s adult children, including, among others, Charles E. Bradley, Jr., (as to 211,738 shares) and Kimball J. Bradley (as to 211,802 shares).

DESCRIPTION OF THE NOTES

THE NOTES WILL BE ISSUED UNDER AN INDENTURE BETWEEN THE COMPANY AND BANKERS TRUST COMPANY, AS TRUSTEE (THE "TRUSTEE"), THE FORM OF WHICH HAS BEEN FILED AS AN EXHIBIT TO THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS IS A PART. THE INDENTURE IS SUBJECT TO AND IS GOVERNED BY THE TRUST INDENTURE ACT OF 1939, AS AMENDED (THE "TRUST INDENTURE ACT"). THE FOLLOWING STATEMENTS, UNLESS THE CONTEXT OTHERWISE REQUIRES, ARE SUMMARIES OF THE SUBSTANCE OR GENERAL EFFECT OF CERTAIN PROVISIONS OF THE INDENTURE, DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE INDENTURE, INCLUDING THE DEFINITIONS OF CERTAIN TERMS IN THE INDENTURE AND THOSE TERMS MADE A PART OF THE INDENTURE BY THE TRUST INDENTURE ACT. WHEREVER PARTICULAR PROVISIONS AND DEFINITIONS CONTAINED IN THE INDENTURE ARE REFERRED TO, SUCH PROVISIONS AND DEFINITIONS ARE INCORPORATED BY REFERENCE AS PART OF THE STATEMENTS MADE, AND THE STATEMENTS ARE QUALIFIED IN THEIR ENTIRETY BY THOSE REFERENCES. ARTICLE AND SECTION REFERENCES ARE TO ARTICLES AND SECTIONS OF THE INDENTURE. UNLESS OTHERWISE DEFINED HEREIN, CAPITALIZED TERMS HAVE THE SAME MEANINGS AS DEFINED IN THE INDENTURE. FOR DEFINITIONS OF CERTAIN TERMS USED IN THIS SECTION, SEE "-- CERTAIN DEFINITIONS" BELOW.

GENERAL

The Notes will be general, unsecured obligations of the Company and will be limited to \$35,000,000 aggregate principal amount, plus up to an additional \$5,250,000 aggregate principal amount if the Underwriters' over-allotment option is exercised in full. The Notes will be subordinated to all existing and future Senior Indebtedness of the Company as described under "Subordination" below. At December 31, 1996, there was approximately \$13.3 million of Senior Indebtedness outstanding. The Notes will mature on April _____, 2004, unless redeemed earlier (i) at the option of the Company or (ii) at the option of Holders following the occurrence of a Special Redemption Event. See "-- Redemption at Option of the Company" and "-- Holders' Right to Redemption After Special Redemption Event."

Interest on the Notes will be payable on the _____ day of each month commencing _____, 1997 (each on Interest Payment Date) to the person who is the Holder as of the close of business on the seventh day of the month (whether or not a Business Day) immediately preceding an Interest Payment Date. Interest will accrue, at the rate per annum stated on the cover page of this Prospectus, from and including each Interest Payment Date (or, in the case of the first Interest Payment Date, from the date of issuance) to but excluding the next Interest Payment Date. In the event an Interest Payment Date falls on a day other than a Business Day, interest will be paid on the next succeeding Business Day and no interest on such payment shall accrue for the period from and after such Interest Payment Date to such next succeeding Business Day. The amount of interest payable on each Interest Payment Date will be computed on the basis of a 360-day year consisting of twelve 30-day months. (Sections 301, 307, 308, 310 and Supplement Sections 1.4 and 1.5) Principal and interest will be payable at an office or agency to be maintained by the Company in _____, _____. (Sections 301, 307, 1002 and Supplement Section 1.3)

The Company will issue the Notes in denominations of \$1,000 and integral multiples thereof. (Section 302) The Notes will be initially issued only in fully registered book-entry form with The Depository Trust Company, as the book-entry depository (the "Depository"). Except as described in this Prospectus or in the Indenture, the Notes will not be issuable in definitive certificated form to any person other than the Depository or its nominees (Article 2 and Supplement 1.3). See "-- Book-Entry System."

The Company will furnish to Holders annual reports containing financial statements of the Company audited by independent certified public accountants. (Section 704)

CONVERSION RIGHTS

At maturity or upon the exercise by the Company of an optional redemption, each Holder of Notes will have the right to convert into Common Stock 25% of the aggregate principal amount of the Notes held by such Holder and if a Special Redemption Event occurs, each Holder who elects to require the redemption of its Notes will have the right to convert into Common Stock 25% of the principal amount of its Notes. Accordingly, 25% of each Note when subject to conversion will be convertible into Common Stock, at the

conversion price of \$_____ per share (equivalent to approximately _____ shares of Common Stock for each \$250 portion of each \$1,000 principal amount of Notes) provided that such price may be adjusted from time to time as provided in the Indenture. In order to exercise the conversion privilege, a Holder shall surrender such Holder's Note at the Office or Agent maintained therefor as provided in the Indenture, accompanied by written notice that the Holder elects to convert 25% of the principal amount of such Notes and stating the name or names (with address) in which the certificate or certificates for shares of Common Stock which shall be issuable (if other than the Holder, certain other conditions will apply). All Notes surrendered for conversion shall be accompanied by proper assignments thereof to the Company or be blank. To be effective, any notice that a Holder is exercising its right to convert 25% of its Notes to Common Stock must be received by the Trustee not later than the Effective Date. The "Effective Date" refers to (i) if the conversion occurs on the Stated Maturity of the Notes, the Stated Maturity date, (ii) if the conversion occurs as a result of the redemption of the Notes at the option of the Company, the Redemption Date, and (iii) if the conversion occurs because of the occurrence of a Special Redemption Event and the Holder's election to require redemption of such Holder's Notes, the Repayment Date. (Supplement Sections 1.9 and 1.10)

The conversion price will be subject to adjustment in certain events, including (i) dividends (and other distributions) payable in Common Stock on any class of capital stock of the Company, (ii) the issuance to all holders of Common Stock of rights, options or warrants entitling them to subscribe for or purchase Common Stock (or securities convertible into Common Stock) at less than the then-current market price (as determined in accordance with the Indenture) unless holders of Notes are entitled to receive the same upon conversion, (iii) subdivisions, combinations and reclassifications of Common Stock and (iv) distributions to all holders of Common Stock of evidences of indebtedness of the Company or assets (including securities, but excluding those rights, options, warrants, dividends and distributions referred to above, and excluding dividends and distributions paid in cash out of the retained earnings of the Company). In addition to the foregoing adjustments, in case the Company shall subdivide its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and, in case the outstanding shares of Common Stock of the Company shall be combined into a smaller number of shares, the conversion price in effect immediately prior to such combination shall be proportionately increased. In addition, if any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets to another corporation shall result in the holders of Common stock being entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then provision is to be made whereby the Holders shall have the right to purchase and receive such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for such Common Stock. Adjustments in the conversion price of less than \$0.25 per share will not be required, but any adjustment that would otherwise be required to be made will be taken into account in the computation of any subsequent adjustment. Fractional shares of Common Stock are not to be issued or delivered upon conversion, but, in lieu thereof, a cash adjustment will be paid based upon the then-current market price of Common Stock. (Supplement Sections 1.11 and 1.12)

Subject to the foregoing, no payments or adjustments will be made upon conversion on account of accrued interest on the Notes or for any dividends or distributions on any shares of Common Stock delivered upon such conversion.

Conversion price adjustments or omissions in making such adjustments may, under certain circumstances, be deemed to be distributions that could be taxable as dividends under the Code to holders of Notes or of Common Stock.

In the event that the Company should merge with another company, become a party to a

consolidation or sell or transfer all or substantially all of its assets to another company, each Note then outstanding would, without the consent of any Holder of Notes, become convertible only into the kind and amount of securities, cash and other property receivable upon the merger, consolidation or transfer by a holder of the number of shares of Common Stock into which such Note might have been converted immediately prior to such merger, consolidation or transfer. Such a transaction, or the securities, cash or other property received in such a transaction, could result in United States federal taxes being imposed on the Holder of a Note at a time or in a manner not anticipated at the time such Note was purchased by such Holder.

REDEMPTION AT OPTION OF THE COMPANY

The Notes may not be redeemed at the Company's option prior to April ____, 2000. The Notes are subject to redemption at the option of the Company, in whole but not in part, at any time, upon not less than 30 nor more than 60 days' notice mailed to the person in whose name the Note is registered, commencing on April ____, 2000 at the redemption price of 100% of the principal amount of the Notes. The redemption price will be paid with interest accrued to and including the date fixed for redemption. After the redemption date, interest will cease to accrue on the Notes. (Article 11 and Supplement Section 1.6)

HOLDERS' RIGHT TO REDEMPTION AFTER SPECIAL REDEMPTION EVENT

In the event of any Special Redemption Event, each Holder will have the right, at such Holder's option and subject to the terms and conditions, of the Indenture, to require the Company to redeem such Holder's Notes, in whole, but not in part, on the date that is 75 days after the occurrence of the Special Redemption Event at a price equal to 100% of the principal amount thereof, plus interest accrued to and including the date of redemption. Neither the Board of Directors of the Company nor the Trustee will have the ability to waive the Company's obligation to redeem a Holder's Notes upon request in the event of a Special Redemption Event. (Section 1303 and Supplement Section 1.7)

If a Special Redemption Event occurs, the Company is obligated to provide promptly, but in any event within three Business Days after expiration of a 40-day period following the occurrence of such event, notice to the Trustee, who shall promptly (within five days after receipt of notice from the Company) notify all Holders of the Special Redemption Event, which notice shall state among other things, (i) the occurrence of such Special Redemption Event, (ii) the date before which a Holder must notify the Trustee of such Holder's intention to exercise the redemption option (which date shall be no more than three Business Days prior to the date of redemption), (iii) the procedure such Holder must follow to exercise such right and (iv) that, if the Holder elects to exercise such right, the Holder may convert 25% of the principal amount of such Notes into Common Stock. To exercise such right, the Holder must deliver to the Trustee on or before the close of business on the date of redemption, written notice of such Holder's redemption election and the Note(s) to be redeemed free of liens or encumbrances. (Section 1303)

The definition of "Special Redemption Event" is forth herein under the caption "Description of the Notes -- Certain Definitions."

Although there is a developing body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder to require the Company to redeem such Notes as a result of a conveyance, transfer or lease of less than all of the assets of the Company to another person may be uncertain.

Except as described above with respect to a Special Redemption Event, the Indenture does not contain any other provisions that permit the Holders to require that the Company redeem the Notes in the event of a takeover or similar transaction. Moreover, a recapitalization of the Company or a transaction entered into by the Company with management or their affiliates would not necessarily be included within the definition of a "Special Redemption Event." Accordingly, while such definition covers a wide variety of arrangements which have traditionally been used to effect highly leveraged transactions, the Indenture does not afford the Holders protection in all circumstances from highly leveraged transactions, reorganizations, restructurings, mergers or similar transactions involving the Company that may adversely affect Holders.

The Special Redemption Event redemption feature of the Notes may, in certain circumstances, make more difficult or discourage a takeover of the company and thus removal of incumbent management. The Special Redemption Event redemption feature, however, is not the result of management's knowledge of any specific effort to obtain control of the Company or part of a plan by management to adopt a series of antitakeover provisions. Rather, the terms of the Special Redemption Event redemption feature are a result of negotiations between the Company and the Underwriters.

To the extent that the right of redemption by a Holder in the event of a Special Redemption Event

constitutes a tender offer under Section 14(d) of the Exchange Act and the rules promulgated thereunder, the Company will comply with all applicable tender offer rules.

SUBORDINATION

The Notes will be subordinated, in the manner and to the extent set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Company. (Article Fourteen)

From and after the receipt by the Trustee of a written notice (a "Default Notice") from the holder or holders of not less than 51% in principal amount of the outstanding Senior Indebtness specifying that any payment default under any Senior Indebtness has occurred (a "Senior Event of Default"), the Company may not make any principal payments to the holders of the Notes and neither the Trustee nor the holders of not less than 25% in principal amount of the outstanding notes may accelerate the maturity of the Notes until (i) such Senior Event of Default is cured, (ii) such Senior Event of Default is waived by the holders of such Senior Indebtness, or (iii) the expiration of 180 days after the date the Default Notice is received by the Trustee, if the maturity of such Senior Indebtness has not been accelerated at such time.

Upon payment in full of the Senior Indebtness, payment of principal may be made to the holders of the Notes.

Upon a distribution of assets, dissolution, winding up, liquidation or reorganization of the Company, upon an assignment for the benefit of creditors, or if the principal of the Notes has been declared due and payable and such declaration has not been rescinded or annulled, then in any such instance all Senior Indebtedness must be repaid in full before any payment of principal or interest on the Notes can be made. Any subordination will not prevent the occurrence of an Event of Default under the Indenture. See "-- Events of Default; Notice and Waiver."

As stated above, by reason of the subordination of the Notes, in the event of liquidation of the Company, the Holders of the Notes will not receive payment until the holders of Senior Indebtedness have been satisfied. Also, by reason of the subordination provisions, the Holders of the Notes may receive payments less ratably than other creditors of the Company. As of December 31, 1996, the Company had \$13.3 million of outstanding Senior Indebtedness. Substantial additional Senior Indebtedness may be issued or incurred in the future, subject only to certain limitations on Indebtedness for Money Borrowed. See "-- Limitations on Additional Indebtedness."

LIMITATIONS ON ADDITIONAL INDEBTEDNESS

The Indenture provides that the Company will not, nor will it permit any Subsidiary to, create, incur, assume, guarantee or be liable with respect to any Indebtedness for Money Borrowed (other than Subordinated Indebtedness) if, immediately after giving effect thereto (including the retirement of any existing indebtedness from the proceeds of such additional Indebtedness for Money Borrowed), the aggregate amount of Indebtedness for Money Borrowed outstanding would exceed six times the sum of the Company's Consolidated Net Worth plus Subordinated Indebtedness. For purposes of the limitation on additional indebtedness set forth in this paragraph, Indebtedness for Borrowed Money shall not include the "Warehouse Indebtedness," and in calculating the Consolidated Net Worth, the Warehouse Indebtedness shall not be included as a liability. (Sections 1001 and 1008) At December 31, 1996, the Company's Consolidated Net Worth was \$57.0 million and Indebtedness for Money Borrowed other than Subordinated Indebtedness was \$13.3 million and \$23.0 million of Subordinated Indebtedness was outstanding.

The Indenture provides that the Company will not, nor will it permit any Subsidiary to, create, incur, assume, guarantee or be liable with respect to any Subordinated Indebtedness, if immediately after giving effect thereto (including the retirement of any existing indebtedness from the proceeds of such Subordinated Indebtedness), the aggregate amount of Subordinated Indebtedness outstanding would exceed the Company's Consolidated Net Worth. (Section 1009)

LIMITATION ON RANKING OF FUTURE INDEBTEDNESS

The Indenture provides that the Company may not, directly or indirectly, incur, create, assume or guarantee any Indebtedness for Money Borrowed which is not Senior Indebtedness other than Subordinated Indebtedness that is PARI PASSU or subordinate in right of payment to the Notes). (Section 1014)

LIMITATION ON RESTRICTED PAYMENTS

The Indenture provides that the Company shall not (i) declare or pay any dividend, either in cash or property, on any shares of its capital stock (except dividends or other distributions payable solely in shares of capital stock of the Company or warrants, options or other rights solely to acquire capital stock of the Company) or (ii) purchase, redeem or retire any shares of its capital stock or any warrants, rights or options to purchase or acquire any shares of its capital stock (except from employees in connection with the termination of their employment) or (iii) make any other payment or distribution, either directly or indirectly through any Subsidiary, in respect of its capital stock (such dividends, purchases, redemptions, retirements, payments and distributions being herein collectively called "Restricted Payments") if, after giving effect thereto,

(1) an Event of Default would have occurred; or

(2) (A) the sum of (i) such Restricted Payment plus (ii) the aggregate amount of all Restricted Payments made during the period after September 30, 1996 would exceed (B) the sum of (i) \$_____ million plus (ii) 50% of Consolidated Net Income for the period commencing September 30, 1996 and ending on the date of payment of such Restricted Payment, treated as one accounting period plus (iii) 100% of the cumulative cash and non-cash proceeds received by the Company from contributions to capital or the issuance or sale after [September 30, 1996] of capital stock of the Company or of any warrants, rights or other options to purchase or acquire its capital stock.

Notwithstanding the foregoing, the Company may make a previously declared Restricted Payment if at the date of the declaration, such Restricted Payment would have been permitted under this covenant. For purposes of this covenant, the amount of any Restricted Payment payable in property shall be deemed to be the fair market value of such property as determined by the Board of Directors of the Company. (Section 1007)

RESTRICTIONS ON SUBSIDIARIES

The Indenture provides that the Company will not organize and own directly or indirectly the Voting Stock of any Person that directly or indirectly owns or holds finance receivables (with an aggregate principal amount in excess of \$1.0 million) originated by the Company or any Subsidiary unless (i) the net income and net worth of such Person is accounted for as a consolidated subsidiary of the Company in accordance with generally accepted accounting principles, (ii) the Company owns directly or indirectly at least 80% of the outstanding Voting Stock of such Person and (iii) the Company owns directly or indirectly stock or equity interests in such Person having a value equal to at least 80% of the total value of the stock or equity interests in such Person. For purposes of clause (iii), "stock" or "equity interests" shall not include preferred stock or any similar equity interest which (A) is not entitled to vote except as required by law, (B) is limited and preferred as to dividends or distributions and does not participate in the economic growth of the Person to any significant extent, (C) has, to the extent provided for, redemption rights and liquidation rights which do not exceed the issue price of such stock or equity interests (except for a reasonable redemption or liquidation premium), and (D) is not convertible into another class of stock or equity interest. (Section 1015)

LIMITATIONS ON TRANSACTIONS WITH AFFILIATES

The Indenture provides that the Company shall not, and shall not permit any of its Subsidiaries to, enter into or permit to exist any transaction (or series of related transactions), including, without limitation, any loan, advance, guarantee or capital contribution to, or for the benefit of, or any sale, purchase, lease,

exchange or other disposition of any property or the rendering of any service, or any other direct or indirect payment, transfer or other disposition (a "Transaction"), involving payments, with any Affiliate of the Company, on terms and conditions less favorable to the Company or such Subsidiary, as the case may be, than would be available at such time in a comparable Transaction in arm's-length dealings with an unrelated Person as determined by the Board of Directors, such approval to be evidenced by a Board Resolution.

The provisions of the immediately preceding paragraph will not apply to:

(i) Restricted Payments otherwise permitted pursuant to the Indenture; or

(ii) fees and compensation (including amounts paid pursuant to employee benefit plans) paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company or any Subsidiary, as determined by the Board of Directors or the senior management thereof in the exercise of their reasonable business judgment; or

(iii) payments for goods and services purchased in the ordinary course of business on an arm's-length basis; or

(iv) Transactions which do not exceed \$200,000; or

(v) Transactions between or among any of the Company and its wholly owned subsidiaries. (Section 1016)

CONSOLIDATION, MERGER OR TRANSFER

The Indenture provides that except in connection with a sale, financing or securitization of receivables or transfers made in the ordinary course of business, the Company may not consolidate with, merge with or transfer all or substantially all of its assets to another entity (other than a wholly owned subsidiary) unless such other entity assumes the Company's obligations under the Indenture and unless, after giving effect thereto, no event shall have occurred and be continuing which, after notice or lapse of time, would become an Event of Default. (Section 801)

BOOK-ENTRY SYSTEM

Upon issuance of the Notes to the Depository, the Depository will credit on its book-entry registration and transfer system to the accounts of institutions that have accounts with the Depository or the Depository's nominee (the "Participants") the aggregate principal amounts of such Notes beneficially owned by such Participants. The accounts to be credited initially shall be designated by the Underwriters. Beneficial ownership of the Notes issued to the Depository will be limited to the Participants or persons holding interests through the Participants. The Participants' beneficial ownership of the Notes will be shown on, and the transfer of such ownership interest will be effected only through, records maintained by the Depository or its nominee. Beneficial ownership of the Notes by persons who hold through the Participants will be shown on, and the transfer of such ownership interest will be effected only through, records maintained by such Participant. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws and limits may impair a Holder's ability to transfer beneficial ownership in the Notes.

Except as set forth below, book-entry beneficial owners of the Notes will not be entitled to have such book-entry beneficial ownership registered in their names on the Security Register, will not receive or be entitled to receive physical delivery of the Notes beneficially owned by book-entry registration, and will not be deemed to be the registered holders of the Notes under the Indenture.

Accordingly, such person holding a book-entry beneficial interest in the Notes must rely upon the procedures of the Depository and, if such person is not a Participant, on the procedures of the Participant through which such person owns its interest, to exercise any rights of a Holder of the Notes under the Indenture. The Indenture provides that the Depository may grant proxies or otherwise authorize Participants

to take any action which a registered holder of a Note under the Indenture is entitled to take. (Section 104) The Company understands that under existing industry practice, in the event that the Company requests any action of registered holders of the Notes; under the Indenture or a book-entry beneficial owner of such Notes desires to take any action which a registered holder of a Note under the Indenture would be entitled to take, the Depository would authorize the Participants to take any such action and the Participants would authorize the book-entry beneficial owners holding the Notes through such Participants to take such action or would otherwise act upon the instructions of the book-entry beneficial owners holding the Notes through them.

The total amount of any principal and/or interest due to book-entry beneficial owners with regard to the Notes on any Interest Payment Date, redemption date or upon maturity will be made available by the Company to the Paying Agent on such date. As soon as practicable thereafter, the Paying Agent will make such payments available to the Depository in accordance with arrangements between the Paying Agent and the Depository. The Company expects that the Depository upon receipt of any payment of interest or principal in respect of the Notes will credit immediately the Participants' book-entry accounts in amounts proportionate to their respective book-entry beneficial interests in the Notes as reflected on the records of the Depository. The Company also expects that payments by the Participants to the book-entry owners of beneficial interests in the Notes will be governed by standing instructions and customary practices, as is the case with any securities held for the accounts of customers in bearer form or registered in "street name." Neither the Company, the Paying Agent, the Trustee nor any agent of the Company, Paying Agent or Trustee will have any responsibility or liability for any aspect of such payments to the book-entry accounts by the Depository or the Participants or for maintaining, supervising or reviewing any records relating to book-entry beneficial interests in the Notes.

Pursuant to the policies of the Depository, the Notes held by the Depository may not be transferred except as a whole by the Depository to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by the Depository or such nominee to a successor depository or its nominees. Book-entry beneficial interests in the Notes are exchangeable for Notes in denominations of \$1,000 and integral multiples thereof and fully registered in such names as the Depository directs if: (i) the Depository holding the Notes notifies the Company that the Depository is unwilling, unable or ineligible to continue as Depository for the Notes and a successor depository is not appointed by the Company within 60 days; (ii) the Company, executes and delivers to the Trustee a Company Order that such book-entry beneficial interests in the Notes be exchangeable for fully registered Notes; or (iii) an Event of Default occurs and shall be continuing as to the Notes. Subject to the foregoing, the book-entry beneficial interests in the Notes shall not otherwise be exchangeable for fully registered Notes. (Section 305)

EVENTS OF DEFAULT, NOTICE AND WAIVER

An Event of Default under the Indenture includes: (i) failure to pay the principal on the Notes when due at Maturity, upon redemption or upon repayment, as provided in the Indenture, or, with respect to any Securities issued under the Indenture which provides for sinking fund payments, failure to deposit a sinking fund payment and, in each case, which default continues for five days; (ii) failure to pay any interest on the Notes when due, which default continues for ten days; (iii) failure to perform any other covenant set forth in the Indenture for 30 days after receipt of written notice from the Trustee or holders of at least 25% in principal amount of the outstanding Securities under the Indenture specifying the default and requiring the Company to remedy such default; (iv) default in the payment at stated maturity of any Indebtedness for Money Borrowed of the Company or a Significant Subsidiary having an outstanding principal amount greater than \$1,000,000 and such default having continued for a period of 30 days beyond any applicable grace period; (v) an event of default as defined in any mortgage, indenture or instrument of the Company or any Significant Subsidiary shall have happened and resulted in indebtedness in a principal amount in excess of \$1,000,000 being accelerated, and such acceleration having continued for a period of 30 days after notice has been given to the Company by the Trustee or Holders of at least 25% in principal amount of the outstanding Securities under the Indenture requesting such acceleration be rescinded or annulled; (vi) certain events of insolvency, receivership, or reorganization of the Company or any Significant Subsidiary, and (vii) entry of a final judgment, decree or order against the Company or any Significant Subsidiary for the payment of money in excess of \$5,000,000 in certain circumstances. (Section 501)

If an Event of Default shall occur and be continuing, the Trustee, in its discretion may, and, at the written request of Holders of at least 25% in aggregate principal amount of the outstanding Notes and upon being indemnified to its satisfaction shall, proceed to protect and enforce its rights and the rights of the Holders. If an Event of Default shall occur and be continuing, subject to the subordination provisions of the Indenture, either the Trustee or the Holders of at least 25% in aggregate principal amount of outstanding Notes may accelerate the maturity of all such outstanding Notes. Prior to any judgment or decree for the payment of money being obtained, the Holders of a majority in aggregate principal amount outstanding Notes may waive an Event of Default resulting in acceleration of such Notes but only if all Events of Default have been remedied and all payments due, other than those due as a result of acceleration, have been made. (Sections 502, 503, 512 and 513)

The Company must furnish annually to the Trustee an Officers' Certificate stating whether, to the best of the knowledge of the officers executing such certificate, the Company is in default under any of the provisions of the Indenture, and specifying all such defaults, and the nature thereof, of which they have knowledge. (Section 1012)

A Holder will not have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless (i) such Holder shall have previously given to the Trustee written notice of a continuing Event of Default, (ii) the Holders of at least 25% in aggregate principal amount of the outstanding Notes shall have made a written request, and offered reasonable indemnity, to the Trustee to institute such proceedings, (iii) the Trustee shall have failed to institute such proceeding within 60 days and (iv) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the outstanding Notes a direction inconsistent with such request. (Section 507) However, the Holder of any Note will have an absolute right to receive payment of the principal of and interest on such Note on or after the respective due dates and to institute suit for the enforcement of any such payments. (Section 508)

MODIFICATION AND WAIVER

With certain limited exceptions which permit modification of the Indenture by the Company and Trustee only and without the consent of any holders of the Securities, the Indenture may be modified by the Company with the consent of Holders of not less than a majority in aggregate principal amount of outstanding Notes, if the Notes are affected thereby; provided, however, that no such changes shall without the consent of the Holder of each Note affected thereby (i) change the Maturity or the principal of, or the due date of any installment of principal or interest on, any Note, (ii) reduce the principal of, or the rate of interest on any Note, (iii) change the coin or currency in which any portion of the principal of, or interest on, any Note is payable, (iv) impair the right to institute suit for the enforcement of any such payment, (v) reduce the above-stated percentage of Holders of the outstanding Notes necessary to modify the Indenture, (vi) modify the foregoing requirements or reduce the percentage of outstanding Notes necessary to waive any past default, (vii) impair the Special Redemption Event or any optional right to redemption or repayment provided the Holders, or (viii) adversely affect a Holder's rights to convert 25% of the principal amount of its Notes into Common Stock. (Sections 513, 901 and 902)

The Holders of a majority in aggregate principal amount of outstanding Notes may waive compliance by the Company with certain restrictive provisions of the Indenture. (Section 1013)

SATISFACTION AND DISCHARGE OF INDENTURE; DEFEASANCE

The Indenture provides that the Company may terminate its obligations under the Indenture with respect to all Notes which have become due and payable, will become due and payable at their Stated Maturity within one year or are redeemable at the option of the Company within one year, by delivering to the Trustee, in trust for such purpose, money and/or Government Obligations which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide on the due dates of any payment of principal and any premium, and interest with respect thereof, or a combination thereof, money in an amount sufficient to discharge the entire indebtedness on such Notes. Defeasance of the Notes is subject to delivery to the Trustee of an opinion of independent counsel that Holders of the outstanding Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and termination and certain other conditions. (Sections 401 and 402)

CERTAIN DEFINITIONS

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and 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 the meanings correlative to the foregoing.

"Capitalized Lease Obligations" means, as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real or personal property which obligations are required to be classified and accounted for as capital lease obligations on a balance sheet of such Person under generally accepted accounting principles and, for purposes of the Indenture, the amount of such obligations at any date shall be the capitalized amount thereof at such date, determined in accordance with generally accepted accounting principles.

"Consolidated Net Income" means the amount of net income (loss) of the Company and its Subsidiaries determined in accordance with generally accepted accounting principles; provided, however, that there shall not be included in Consolidated Net Income any net income (loss) of any Person acquired or disposed of in a pooling of interests transaction for any period prior to the acquisition thereof or subsequent to the disposition thereof.

"Consolidated Net Worth" means the excess, as determined in accordance with generally accepted accounting principles, after making appropriate deductions for any minority interest in the net worth of Subsidiaries of (i) the assets of the Company and its Subsidiaries over (ii) the liabilities of the Company and its Subsidiaries; provided, however, that any write-up in the book value of any assets owned subsequent to the date of the Indenture, other than as required for and at the time of assets acquired in connection with the purchase of a Person or business, shall not be taken into account.

"Indebtedness for Money Borrowed" means any of the following obligations of the Company or any Subsidiary which by its terms matures at or is extendable or renewable at the sole option of the obligor without requiring the consent of the obligee to a date more than twelve months after the date of the creation or incurrence of such obligation: (i) any obligations, contingent or otherwise, for borrowed money or for the deferred purchase price of property, assets, securities, or services (including, without limitation, any interest accruing subsequent to an Event of Default), (ii) all obligations (including the Notes) evidenced by bonds, notes, debentures, letters of credit, or other similar instruments, (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), except any such obligation that constitutes a trade payable and an accrued liability arising in the ordinary course of business, if and to the extent any of the foregoing indebtedness would appear as a liability on a balance sheet prepared in accordance with generally accepted accounting principles, (iv) all Capitalized Lease Obligations, (v) all indebtedness of the type referred to in clause (i), (ii), (iii) or (iv) above secured by (or for which the holder of such indebtedness has an existing

right, contingent or otherwise, to be secured by) any lien upon or in property of the Company (including, without limitation, accounts and contract rights), even though the Company has not assumed or become liable for the payment of such indebtedness, and (vi) any guaranty or endorsement (other than for collection or deposit in the ordinary course of business) or discount with recourse of, or other agreement, contingent or otherwise, to purchase, repurchase, or otherwise acquire, to supply or advance funds, or become liable with respect to, any indebtedness or any obligation of the type referred to in any of the foregoing clauses (i) through (v), regardless of whether such obligation would appear on a balance sheet; provided, however, that Indebtedness for Money Borrowed shall not include (x) Interest Rate Swap Obligations with respect to any obligations included in the foregoing clauses (i) through (vi), or any guarantees of any such Interest Rate Swap Obligations or (y) amounts due under or represented by asset-backed securities or other interest-bearing certificates issued by trusts formed by Subsidiaries in connection with the securitization of automobile installment sale contracts or other receivables.

"Interest Rate Swap Obligations" means the obligation of the Company or any Subsidiary pursuant to any interest rate swap agreement, interest rate collar agreement, forward rate agreement, interest rate cap insurance, option or futures contract or other similar agreement or arrangement, and any renewal or extension thereof, designed to protect the Company or any of its Subsidiaries against interest rate risk.

"Senior Indebtedness" means the principal amount of, premium, if any, and interest on (i) any Indebtedness for Money Borrowed whether outstanding as of the date of the Indenture or thereafter created, incurred, assumed or guaranteed, unless in the instrument creating or evidencing such Indebtedness for Money Borrowed or pursuant to which such Indebtedness for Money Borrowed is outstanding it is provided that such Indebtedness for Money Borrowed is subordinate in right of payment or in rights upon liquidation to any other Indebtedness for Money Borrowed of the Company and (ii) refundings, renewals, extensions, modifications, restatements, and increases of any such indebtedness.

"Significant Subsidiary" means any Subsidiary which accounted for more than 10% of the Company's Consolidated Net Worth or more than 10% of the Company's consolidated revenue, in each case, as of the end of the Company's most recent fiscal year.

"Special Redemption Event" means the occurrence of any one or more of the following: (i) (x) the Company shall consolidate with or merge into another Person, (y) the Company shall convey, transfer or lease all or substantially all of its assets to any Person or (z) any Person shall consolidate with or merge into the Company pursuant to a transaction in which the outstanding common stock of the Company is reclassified, changed or exchanged; provided that the following shall be excluded from the operation of this clause (i): a transaction which is part of a sale, financing or securitization of receivables, entered into in the ordinary course of business; a transaction between the Company and one or more of its wholly-owned Subsidiaries; or a transaction of the type described in clause (i) (x) or (i) (z) above unless immediately after giving effect to such transaction, a Person or "group" (as such term is used for purposes of Section 13 (d) and 14(d) of the Exchange Act), other than any Person who is a director of the Company or a "related Person" on the date of the Indenture, is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting power in the aggregate normally entitled to vote in the election of directors; and (ii) any Person or "group" (as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act) other than any Person who is a director of the Company or a "related Person" on the date of the Indenture, shall purchase or otherwise acquire in one or more transactions or series of transactions beneficial ownership of 50% or more of the outstanding common stock of the Company on the date immediately prior to the last such purchase or other acquisition. For purposes of this definition, "related Person" means, in addition to such director, (a) any relative or spouse of such director, or any relative of such spouse, (b) any trust or estate in which such Person or any of the Persons specified in clause (a) collectively own 50% or more of the total beneficial interest or (c) any corporation or other organization (other than the Company) in which such director or any of the Persons specified in clause (a) or (b) are the beneficial owners collectively of 50% or

more the voting power.

"Subordinated Indebtedness" means any Indebtedness for Money Borrowed that is not Senior Indebtedness.

"Subsidiary" means any corporation of which at that time of determination the Company or one or more Subsidiaries owns or controls directly or indirectly more than 50% of the shares of Voting Stock.

"Voting Stock" means stock of a corporation of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers, or trustees of such corporation, provided that, for the purposes hereof, stock which carries only the right to vote conditionally on the happening of an event shall not be considered Voting Stock whether or not such event shall have happened.

"Warehouse Indebtedness" means Indebtedness for Money Borrowed under the Warehouse Line of Credit and any replacement or additional facility under which the Company borrows money against Contracts held for sale, pending their sale in securitization transactions.

RATING

The Notes are rated "_____" by Duff & Phelps Credit Rating Co. ("Duff & Phelps"), which is below investment grade. Ratings are not a recommendation to purchase, hold or sell the Notes, as ratings do not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to Duff & Phelps by the Company and obtained from other sources. The ratings may be changed, suspended or withdrawn at any time as a result of changes in, or unavailability of, such information.

THE TRUSTEE

Bankers Trust Company is the Trustee under the Indenture. Its principal corporate trust office is located at _____.

DESCRIPTION OF COMMON STOCK

The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders, except that holders of Common Stock are entitled to cumulate their votes in the election of directors if they comply with the provisions of the Company's Bylaws as to cumulative voting. In cumulative voting, each holder is permitted to cast such number of votes in the aggregate as equals the number of shares of stock held multiplied by the number of directors to be elected. The holders may cast the whole number of such votes for one nominee for director or distribute the votes among two or more nominees as the holder sees fit.

Holders of Common Stock are entitled to such dividends as the Company's Board of Directors, in its discretion, may declare out of funds available therefore, subject to the terms of any outstanding shares of preferred stock and other restrictions. In the event of liquidation of the Company, holders of the Common Stock are entitled to receive, pro rata, all of the assets of the Company available for distribution after payment of any liquidation preference to the holders of any preferred stock then outstanding. No shares of preferred stock are presently outstanding. Holders of the shares of Common Stock have no conversion or preemptive or other subscription rights and there are no redemption or sinking fund provisions applicable to the Common Stock. All of the outstanding shares of Common Stock are, and the shares of Common Stock issuable upon conversion of the Notes offered hereby will be, validly issued, fully paid and nonassessable.

UNDERWRITING

Subject to the terms and conditions set forth in the Purchase Agreement between the Company and the Underwriters named below, the Underwriters have severally agreed to purchase from the Company the respective principal amounts of the Notes set forth opposite their names below.

Underwriters	Principal Amount of Notes
Piper Jaffray Inc.	\$
Legg Mason Wood Walker Incorporated . .	\$
Dain Bosworth Incorporated.	\$
Total.	\$35,000,000

The Purchase Agreement provides that the obligations of the several Underwriters are subject to certain conditions precedent set forth therein and that the Underwriters must purchase all of the Notes if they purchase any Notes.

The Underwriters have advised the Company that they propose initially to offer the Notes to the public at the Price to Public and to selected dealers at such price less a concession of not more than ___% of the principal amount of the Notes. The Underwriters may allow, and such dealers may reallow, concessions not in excess of ___% of the principal amount of the Notes to certain other brokers and dealers. After the initial distribution of the Notes has been completed, the Price to Public and other selling terms may be changed by the Underwriters.

The Offering of the Notes is made for delivery when, as and if accepted by the Underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offer without notice. The Underwriters reserve the right to reject any order for the purchase of the Notes.

The Company has granted the Underwriters an option, exercisable within 30 days from the date of this Prospectus, to purchase up to an additional \$5,250,000 in aggregate principal amount of Notes at the Price to Public less the Underwriting Discount. The Underwriters may exercise such option solely for the purpose of covering over-allotments, if any, incurred in the sale of the Notes offered hereby. To the extent that the Underwriters exercise this option, each Underwriter will be obligated, subject to certain conditions, to purchase a principal amount of Notes approximately proportionate to that Underwriter's initial commitment, and the Company will be obligated, pursuant to the option, to sell such Notes to the Underwriters.

The Company has applied to have the Notes approved for listing on the New York Stock Exchange. The Underwriters have indicated an intention to make a market in the Notes as permitted by applicable laws and regulations. No Underwriter, however, is obligated to make a market in the Notes, and any such market making may be discontinued at any time at the sole discretion of such Underwriter. There can be no assurance that an active trading market for the Notes will develop. If the Notes are traded after their initial issuance, they may trade at a discount from their principal amount.

The Underwriters may engage in stabilizing, syndicate short covering transactions, or any other transaction during the offering that may stabilize, maintain, or otherwise affect the price of the Notes offered hereby.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which the Underwriters may be required to make in respect thereof.

Piper Jaffray Inc. has provided certain investment banking services to the Company from time to time and has received compensation customary for such services.

LEGAL MATTERS

The legality of the Notes offered hereby is being passed upon for the Company by Troy & Gould Professional Corporation, Los Angeles, California. Certain legal matters in connection with the sale of the Notes offered hereby will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Washington, D.C.

EXPERTS

The consolidated financial statements of Consumer Portfolio Services, Inc. and subsidiaries as of December 31, 1996 and 1995, and for the year ended December 31, 1996, the nine-month period ended December 31, 1995 and for the year ended March 31, 1995 have been included herein and in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

There are hereby incorporated by reference herein (i) the Company's Annual Report on Form 10-KSB for the nine-month transition period ended December 31, 1995, (ii) the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 1996, (iii) the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 1996, (iv) the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 1996, (v) the Company's current report on Form 8-K dated September 20, 1996, (vi) the Company's current report on Form 8-K dated September 26, 1996, (vii) the Company's current report on Form 8-K dated December 11, 1996, (viii) the Company's current report on Form 8-K dated December 19, 1996, and (ix) the description of the Common Stock contained in the Company's registration statement on Form 8-A filed September 4, 1992, as amended on October 21, 1992, and December 6, 1995.

The Company will provide, without charge, to each person to whom a copy of this Prospectus is delivered, on the written or oral request of such person, a copy of any or all of the documents incorporated herein by reference (other than exhibits thereto, unless such exhibits are specifically incorporated by reference into the information that this Prospectus incorporates). Written or telephone requests for such copies should be directed to the Company's principal office: Consumer Portfolio Services, Inc., 2 Ada, Suite 100, Irvine, California 92618, Attention: Corporate Secretary, (714) 753-6800.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "SEC") a registration statement (as amended, the "Registration Statement") under the Securities Act with respect to the securities offered by this Prospectus. This Prospectus, which constitutes a part of the Registration Statement, does not contain all the information set forth in the Registration Statement. For further information with respect to the Company and the securities offered hereby, reference is made to the Registration Statement and to the exhibits filed therewith, which may be inspected without charge at the principal office of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of the material contained therein may be obtained from the SEC upon payment of applicable copying charges. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

The Company is subject to the reporting and other informational requirements of the Exchange Act and, in accordance therewith, files reports and other information with the SEC. Such reports, proxy statements and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the SEC at the offices of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices at Northwestern Atrium Center, 500 West

Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 7 World Trade Center, New York, New York 10048. The SEC also maintains a Web site on the Internet that contains reports, proxy and information statements and other information regarding issuers, including the Company, that file electronically with the SEC. The address of such site is <http://www.sec.gov>. Copies of such materials can also be obtained by written request to the Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Consumer Portfolio Services, Inc.

We have audited the accompanying consolidated balance sheets of Consumer Portfolio Services, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity and cash flows for the year ended December 31, 1996, for the nine-month period ended December 31, 1995, and for the year ended March 31, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Consumer Portfolio Services, Inc. and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for the year ended December 31, 1996, for the nine-month period ended December 31, 1995, and for the year ended March 31, 1995, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Orange County, California
February 14, 1997

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, ----- 1996 -----	December 31, ----- 1995 -----
ASSETS (NOTE 11)		
Cash	\$ 153,958	\$ 10,895,157
Contracts held for sale (notes 5 and 11)	21,656,773	19,548,842
Servicing fees receivable	3,086,194	1,454,707
Investment in subordinated certificates	--	2,174,666
Investments in credit enhancements (note 2)	43,597,472	30,477,793
Excess servicing receivables (note 7)	23,654,461	11,108,251
Furniture and equipment, net (note 3)	629,774	548,535
Taxes receivable	610,913	--
Deferred financing costs (note 11)	943,222	1,100,430
Investment in unconsolidated affiliate (note 4)	2,263,768	--
Other assets (note 4)	5,349,885	569,944
	-----	-----
	\$ 101,946,420	\$ 77,878,325
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accounts payable & accrued expenses	\$ 1,697,051	\$ 1,341,905
Warehouse line of credit (note 11)	13,264,585	7,500,000
Taxes payable	--	2,912,084
Deferred tax liability (note 10)	7,027,251	1,643,254
Notes payable (note 11)	20,000,000	20,000,000
Convertible subordinated debt (note 11)	3,000,000	3,000,000
	-----	-----
	44,988,887	36,397,243
SHAREHOLDERS' EQUITY (NOTES 8 AND 11)		
Preferred stock, \$1 par value; authorized 5,000,000 shares; none issued	--	--
Series A preferred stock, \$1 par value; authorized 5,000,000 shares; 3,415,000 shares issued; none outstanding	--	--
Common stock, no par value; authorized 30,000,000 shares; 13,779,242 and 13,298,642 shares issued and outstanding at December 31, 1996 and 1995, respectively	34,644,314	33,265,239
Retained earnings	22,313,219	8,215,843
	-----	-----
	56,957,533	41,481,082
Commitments and contingencies (notes 4, 5, 6, 8, 9 and 12)		
Subsequent events (notes 9, 11 and 14)		
	-----	-----
	\$ 101,946,420	\$ 77,878,325
	-----	-----

See accompanying notes to consolidated financial statements

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	Nine Months Ended December 31,	Year Ended March 31,
	1996	1995	1995
	-----	-----	-----
REVENUES:			
Net gain on sale of contracts (note 7)	\$ 23,321,015	\$ 11,549,413	\$ 9,454,620
Servicing fees (note 6)	16,168,867	6,475,405	7,201,062
Interest	11,703,921	6,229,895	5,849,154
	-----	-----	-----
	51,193,803	24,254,713	22,504,836
	-----	-----	-----
EXPENSES:			
Employee costs	8,920,521	3,309,139	2,990,253
General and administrative	7,247,011	2,799,599	1,905,155
Interest	5,780,529	2,724,403	3,407,598
Provision for credit losses (note 5)	2,755,803	828,458	532,947
Marketing	1,678,674	1,231,110	1,764,121
Occupancy	768,521	267,641	254,845
Depreciation and amortization	275,348	174,555	153,355
Related party consulting fees (note 4)	75,000	262,500	350,000
	-----	-----	-----
	27,501,407	11,597,405	11,358,274
	-----	-----	-----
Income before income taxes	23,692,396	12,657,308	11,146,562
Income taxes (note 10)	9,595,020	5,082,186	4,480,932
	-----	-----	-----
Net income	\$ 14,097,376	\$ 7,575,122	\$ 6,665,630
	-----	-----	-----
Net income per common and common equivalent share	\$ 0.95	\$ 0.53	\$ 0.60
	-----	-----	-----
Weighted average number of common and common equivalent shares	14,849,609	14,323,592	11,143,268
	-----	-----	-----
Fully diluted net income per common and common equivalent share	\$ 0.93	\$ 0.52	\$ 0.56
	-----	-----	-----
Fully diluted weighted average number of common and common equivalent shares	15,410,044	14,803,592	12,538,352
	-----	-----	-----

See accompanying notes to consolidated financial statements

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	SERIES A PREFERRED STOCK		COMMON STOCK		RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT		
	-----	-----	-----	-----	-----	-----
Balance at March 31, 1994	3,415,000	\$ 3,415,000	8,733,334	\$ 12,810,689	\$ (6,024,909)	\$ 10,200,780
Common stock issued upon exercise of warrants	--	--	39,466	118,398	--	118,398
Common stock issued upon exercise of options	--	--	48,000	120,000	--	120,000
Common stock issuance, net (note 8)	--	--	2,000,000	13,304,550	--	13,304,550
Redemption of Preferred Stock (note 8)	(3,415,000)	(3,415,000)	--	--	--	(3,415,000)
Net income	--	--	--	--	6,665,630	6,665,630
Balance at March 31, 1995	--	\$ --	10,820,800	\$ 26,353,637	\$ 640,721	\$ 26,994,358
Common stock issued upon exercise of warrants	--	--	100,534	301,602	--	301,602
Common stock issued upon exercise of options	--	--	1,843,974	4,610,000	--	4,610,000
Common stock issued upon conversion of debt (note 11)	--	--	533,334	2,000,000	--	2,000,000
Net income	--	--	--	--	7,575,122	7,575,122
Balance at December 31, 1995	--	\$ --	13,298,642	\$ 33,265,239	\$ 8,215,843	\$ 41,481,082
Common stock issued upon exercise of warrants	--	--	86,000	258,000	--	258,000
Common stock issued upon exercise of options	--	--	394,600	1,121,075	--	1,121,075
Net income	--	--	--	--	14,097,376	14,097,376
Balance at December 31, 1996	--	\$ --	13,779,242	\$ 34,644,314	\$ 22,313,219	\$ 56,957,533

See accompanying notes to consolidated financial statements

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1996 ----	Nine Months Ended December 31, 1995 ----	Year Ended March 31, 1995 ----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 14,097,376	\$ 7,575,122	\$ 6,665,630
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	275,348	174,555	153,355
Amortization of purchased and excess servicing receivables	6,119,219	2,023,938	1,210,120
Amortization of deferred financing costs	157,208	5,265	--
Provision for credit losses	2,755,803	828,458	532,947
Gain on sale of contracts from excess servicing receivables	(18,665,429)	(7,977,828)	(4,065,899)
Loss on investment in unconsolidated affiliate	595,352	--	--
Changes in operating assets and liabilities:			
Purchases of contracts held for sale	(351,350,070)	(160,150,781)	(164,263,577)
Liquidation of contracts held for sale	346,486,336	156,890,700	142,472,028
Servicing fees receivable	(1,631,487)	(658,385)	(615,063)
Prepaid related party expenses	--	--	233,333
Initial deposits to credit enhancement accounts	(12,270,168)	(4,931,325)	(13,237,454)
Excess servicing deposited to credit enhancement accounts	(18,790,430)	(7,553,086)	(5,390,422)
Release of cash from credit enhancement accounts	17,940,919	7,693,839	5,923,201
Deferred taxes	5,383,997	2,199,068	(381,616)
Other assets	(3,361,654)	(425,695)	3,810
Accounts payable and accrued expenses	355,146	(131,382)	528,256
Warehouse line of credit	5,764,585	(12,230,389)	19,730,389
Taxes payable/receivable	(3,522,997)	(1,865,464)	4,385,724
	-----	-----	-----
Net cash used in operating activities:	(9,660,946)	(18,533,390)	(6,115,238)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of subordinated certificates	2,022,220	--	--
Investment in unconsolidated affiliate	(4,277,407)	--	--
Purchases of furniture and equipment	(356,587)	(263,496)	(334,458)
Payments received on subordinated certificates	152,446	118,764	--
	-----	-----	-----
Net cash used in investing activities	(2,459,328)	(144,732)	(334,458)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of promissory notes	--	2,000,000	5,000,000
Issuance of note to related party	--	2,000,000	--
Issuance of long term notes	--	20,000,000	--
Payment of financing costs	--	(1,105,695)	--
Repayment of promissory notes	--	(2,000,000)	(5,000,000)
Repayment of note to related party	--	(2,000,000)	--
Issuance of common stock	--	--	13,304,550
Redemption of preferred stock	--	--	(3,415,000)
Exercise of options and warrants	1,379,075	4,911,602	238,398
	-----	-----	-----
Net cash provided by financing activities	1,379,075	23,805,907	10,127,948
	-----	-----	-----
Increase (decrease) in cash	(10,741,199)	5,127,785	3,678,252
Cash at beginning of period	10,895,157	5,767,372	2,089,120
	-----	-----	-----
Cash at end of period	\$ 153,958	\$ 10,895,157	\$ 5,767,372
	-----	-----	-----
Supplemental disclosure of cash flow information:			
Cash paid during the period			
Interest	\$ 5,213,912	\$ 2,542,718	\$ 3,288,848
Income taxes	\$ 6,679,000	\$ 4,759,050	\$ 523,000
Supplemental disclosure of non-cash investing and financing activities:			
Issuance of common stock upon conversion of debt	\$ --	\$ 2,000,000	\$ --

See accompanying notes to consolidated financial statements

CONSUMER PORTFOLIO SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 1996, nine months ended December 31, 1995 and
year ended March 31, 1995

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Consumer Portfolio Services, Inc. ("the Company") was incorporated in California on March 8, 1991. The Company and its subsidiaries engage primarily in the business of purchasing, selling and servicing retail automobile installment sale contracts ("Contracts") originated by dealers located throughout the United States. The Company specializes in Contracts with borrowers who generally would not be expected to qualify for traditional financing such as that provided by commercial banks or automobile manufacturers' captive finance companies. The Company's operations are centralized in Irvine, California and it has purchased Contracts from Dealers in California since its inception. During the year ended December 31, 1996, Contract purchases relating to borrowers who resided in California totaled 25.8% of all contract purchases. Moreover, at December 31, 1996, borrowers who resided in California made up 58.0% of the Servicing Portfolio. A significant adverse change in the economic climate in California could result in fewer Contracts available for sale and potentially less gain on sale and servicing fee revenue.

The automobile financing business is highly competitive. The Company competes with a number of national, local and regional finance companies with operations similar to those of the Company. In addition, competitors or potential competitors include other types of financial services companies, such as commercial banks, savings and loan associations, leasing companies, credit unions providing retail loan financing and lease financing for new and used vehicles, and captive finance companies affiliated with major automobile manufacturers such as General Motors Acceptance Corporation, Ford Motor Credit Corporation, Chrysler Credit Corporation and Nissan Motors Acceptance Corporation. Many of the Company's competitors and potential competitors possess substantially greater financial, marketing, technical, personnel and other resources than the Company. Moreover, the Company's future profitability will be directly related to the availability and cost of its capital in relation to the availability and cost of capital to its competitors. The Company's competitors and potential competitors include far larger, more established companies that have access to capital markets for unsecured commercial paper and investment grade-rated debt instruments and to other funding sources which may be unavailable to the Company. Many of these companies also have long-standing relationships with dealers and may provide other financing to dealers, including floor plan financing for the dealers' purchase of automobiles from manufacturers, which is not offered by the Company.

The Company purchases Contracts with the intent to re-sell them to institutional investors either as bulk sales or in the form of securities backed by the Contracts. Purchasers of the Contracts receive a pass through rate of interest set at the time of the sale and the Company receives a base servicing fee for its duties relating to the accounting for and collection of the Contracts. In addition, the Company is entitled to certain excess servicing fees which represent collections on the Contracts in excess of those required to pay investor principal and interest, base servicing fees and any other expenses of the trust.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Consumer Portfolio Services, Inc. and its wholly-owned subsidiaries, Alton Receivables Corp. ("Alton"), CPS Receivables Corp. ("CPSRC") and CPS Funding Corp. ("CPSFC"). Alton, CPSRC and CPSFC are limited purpose corporations formed to accommodate the structures under which the Company sells its Contracts. The consolidated financial statements also include the accounts of SAMCO Acceptance Corp. and LINC Acceptance Company, LLC, both of which are 80% owned subsidiaries formed by the Company in fiscal 1996. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in unconsolidated affiliates which are not majority owned are reported using the equity method. The excess of the cost of the stock over the Company's share of the net assets at the acquisition date ("goodwill") is being amortized over fifteen years.

CONTRACTS HELD FOR SALE

The Contracts which the Company purchases from dealers provide for finance charges of approximately 20% per annum, in most cases. Each Contract provides for full amortization, equal monthly payments and can be fully prepaid by the borrower at any time without penalty. The Company typically purchases the Contracts from dealers at a discount from the amount financed under the Contract with such discounts deferred and recognized as revenue upon sale of the related Contracts. Effective January 10, 1997, the Company began purchasing all Contracts without a percentage discount, charging dealers only a flat acquisition fee for each Contract purchased based on the perceived credit risk and, in some cases, the interest rate on the Contract. Contracts are generally sold to institutional investors at par. In the case of whole loan sales, the investor withholds a portion of the purchase price as an initial credit enhancement. In the case of Contracts sold in the form of asset backed securities, the Company pledges certain cash balances as an initial credit enhancement. Contracts are generally sold by the Company within one to three months of their purchase, although they may be held longer.

Contracts held for sale are stated at the lower of cost or market value. Market value is determined by purchase commitments from investors and prevailing market prices. Gains and losses are recorded as appropriate when Contracts are sold.

ALLOWANCE FOR CREDIT LOSSES

The Company provides an allowance for credit losses which management believes provides adequately for current and possible future losses that may develop in the Contracts held for sale. Management evaluates the adequacy of the allowance by examining current delinquencies, the characteristics of the portfolio, the value of underlying collateral, and general economic conditions and trends.

CONTRACT ACQUISITION FEES AND COSTS

The Company generally receives an acquisition fee from the dealer for each Contract purchased. Fee proceeds are used to offset the direct expenses associated with the purchase of the Contracts, with any excess amount deferred until the Contracts are sold at which time the deferred portions are recognized as a component of the gain on sale.

INVESTMENTS

The Company determines the appropriate classification of its investments in debt securities at the time of purchase or creation. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale. Securities available for sale are carried at fair value, with unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity.

The amortized cost of debt securities classified as available for sale is adjusted for amortization of premiums and accretion of discounts, over the estimated life of the security. Such amortization and interest earned on the debt securities are included in interest income.

GAIN ON SALE OF CONTRACTS

Gains or losses are determined based upon the difference between the sales proceeds for the portion of Contracts sold and the Company's recorded investment in the Contracts sold. The Company allocates the recorded investment in the Contracts between the portion of the Contracts sold and the portion retained based on the relative fair values of those portions on the date of sale.

EXCESS SERVICING RECEIVABLES

Excess servicing receivables ("ESR") result from the sale of Contracts on which the Company retains servicing rights and all, or a portion of, the excess cash flows. ESRs are determined by computing the difference between the weighted average yield of the Contracts sold and the yield to the purchaser, adjusted for the normal servicing fee based on the agreements between the Company and the purchaser. The resulting differential is recorded as a gain at the time of the sale equal to the present value of the estimated cash flows, net of any portion of the excess that may be due to the purchaser and adjusted for anticipated prepayments, repossessions, liquidations and other losses. The excess servicing cash flows are only available to the Company to the extent that there is no impairment of the credit enhancement that is established at the time the Contracts are sold to the purchaser. The excess servicing cash flows over the estimated remaining life of the Contracts have been calculated for all applicable periods using estimates for prepayments, losses (charge-offs) and weighted average discount rates, which the Company expects market participants would use for similar instruments. Losses are discounted at an assumed risk free rate. The ESRs are amortized using the interest method and are offset against servicing fees. To the extent that the actual future performance of the Contracts results in less excess cash flows than the Company estimated, the Company's ESRs will be adjusted at least quarterly, with corresponding charges recorded against income in the period in which the adjustment is made. To the extent that the actual cash flows exceed the Company's estimates the Company will record additional servicing fees.

FURNITURE AND EQUIPMENT

Furniture and equipment are stated at cost net of accumulated depreciation which is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the related lease term.

SERVICING

Servicing fees are reported as income when earned, net of related amortization of purchased and excess servicing. Servicing costs are charged to expense as incurred.

NET INCOME PER SHARE

The computation of net income per common and common equivalent share is based upon the Treasury Stock Method using the weighted average number of common shares outstanding during the period plus (in periods in which they have a dilutive effect) the effect of common shares contingently issuable, primarily from stock options and warrants. The fully diluted net income per share computation reflects the effect of common shares contingently issuable upon the conversion of convertible debt in which such conversion would cause dilution. Fully diluted net income per common share also reflects additional dilution related to stock options and warrants due to the use of the market price at the end of the period, when higher than the average price for the period.

INCOME TAXES

The Company and its subsidiaries file a consolidated Federal income and combined state franchise tax return on a fiscal year basis. The Company utilizes the asset and liability method of accounting for income taxes under which deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The Company has accounted for income taxes in this manner since its inception.

STOCK SPLIT

On February 16, 1996, the Board of Directors authorized a two-for-one stock split to be distributed on or about March 14, 1996, to shareholders of record on March 7, 1996. All references in the consolidated financial statements to number of shares, per share amounts and market prices of the Company's common stock have been retroactively restated to reflect the increased number of common shares outstanding.

STOCK OPTION PLAN

Prior to January 1, 1996, the Company accounted for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On January 1, 1996, the Company adopted SFAS No. 123, Accounting for Stock-Based Compensation, which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based methods defined in SFAS No.123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and to provide the pro forma disclosure provisions of SFAS No. 123.

IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

The Company adopted the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, on January 1, 1996. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Adoption of this Statement did not have a material impact on the Company's financial position, results of operations or liquidity.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1996, the Financial Accounting Standards Board issued SFAS No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996 and is to be applied prospectively. This Statement provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on consistent application of a financial-components approach that focuses on control. It distinguishes transfers of financial assets that are sales from transfers that are secured borrowings. Management of the Company does not expect that adoption of SFAS No. 125 will have a material impact on the Company's financial position, results of operations or liquidity.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of income and expenses during the reported periods. Specifically, a number of estimates were made in connection with the recording of the allowance for credit losses and excess servicing receivables and the related gain. Actual results could differ from those estimates.

RECLASSIFICATION

Certain amounts for the prior periods have been reclassified to conform to the current presentation.

(2) INVESTMENTS

The Company is a party to various agreements with institutional investors and investment banks for the sale of the Company's Contracts. The agreements call for the Company to sell Contracts to one of its special purpose corporation subsidiaries, either Alton or CPSRC (the "SPCs"), which subsequently transfer the Contracts to various grantor trusts (the "Trusts") which then issue interest bearing certificates which are purchased by institutional investors. The terms of the agreements provide that simultaneous with each purchase of certificates by the investor, the Company is required to provide a credit enhancement in the form of a cash capital contribution to the SPC equal to a specified percentage of the amount of the certificates purchased by the investor. The SPC then deposits the initial cash, and subsequent excess servicing cash flows as required by the terms of the various agreements, to an account held by a trustee (the "Spread Account") and pledges the cash to the Trust, which in turn invests the cash in high quality liquid investment securities as defined by the various agreements. In the securitizations since June 1995, the Company altered the credit enhancement mechanism to create a subordinated class of asset-backed securities ("B Piece") in order to reduce the size of the required initial deposit to the Spread Account. All of the B Pieces through December 31, 1996, had an initial principal balance equal to 5% of the aggregate principal balance of the asset-backed securities. As of December 31, 1996, all of the B Pieces have been sold except the B Piece related to the June 1995 securitization. In the event that the cash flows generated by the Contracts transferred to the Trust are insufficient to pay obligations of the Trust, including principal or interest due to certificateholders or expenses of the Trust, the trustee will draw an amount necessary from the Spread Accounts to pay the obligations of the Trust.

The agreements provide that the Spread Accounts shall be maintained at a specified percent of the principal balance of the certificates, which can be increased in the event delinquencies and/or losses exceed certain specified levels. In the event delinquencies and/or losses on the Contracts serviced exceed specified levels defined in certain of the Company's securitization agreements, the terms of those securitizations may require the transfer of servicing to another servicer. Consequently, as principal payments are made to the certificateholders, and if the Spread Accounts are in excess of the specified percent of the principal balance of the certificates, the trustee shall release to the SPC the portion of the pledged cash that is in excess of the amount necessary to meet the specified percent of the principal balance of the certificates. Except for releases in this manner, the cash in the Spread Accounts is restricted from use by the SPC or the Company. Investments in credit enhancements were made up of the following components:

	December 31, ----- 1996 -----	December 31, ----- 1995 -----
Funds held by investor	\$ 1,263,660	\$ 2,211,363
Investment in subordinated certificates	1,530,950	2,137,333
US government securities	40,802,862	26,129,097
	----- \$ 43,597,472	----- \$ 30,477,793
	-----	-----

(3) FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following:

	December 31, ----- 1996 -----	December 31, ----- 1995 -----
Furniture and fixtures	\$ 759,783	\$ 629,613
Computer equipment	875,870	682,541
Leasehold improvements	91,700	65,103
	----- 1,727,353	----- 1,377,257
Less accumulated depreciation and amortization	(1,097,579)	(828,722)
	----- \$ 629,774	----- \$ 548,535
	-----	-----

(4) RELATED PARTY TRANSACTIONS

Prior to December 11, 1995, the Company was a majority-owned subsidiary of CPS Holdings, Inc., a Delaware corporation ("Holdings"). In September 1995, the shareholders of the Company approved the merger of Holdings into the Company. The merger was completed on December 11, 1995, and had no effect on the Company's consolidated financial statements. Prior to the merger, Charles E. Bradley, Sr., the Company's Chairman of the Board, was the principal shareholder of Holdings.

The Company is a party to a consulting agreement with Stanwich Partners, Inc. ("SPI") that call for monthly payments of \$6,250 through December 31, 1998. Included in the accompanying consolidated statements of operations for the year ended December 31, 1996, for the nine months ended December 31, 1995, and for the year ended March 31, 1995, is \$75,000, \$262,500 and \$350,000, respectively, of consulting expense related to this consulting agreement. The Chairman of the Board of Directors of the Company is a principal shareholder of SPI.

During the year ended March 31, 1995, the Company advanced to Holdings \$714,494, pursuant to various notes which were to mature on or before July 1, 1995. As of March 31, 1995, all principal and interest under the notes had been paid in full.

On September 27, 1995, the Company borrowed \$2 million through a promissory note to Charles E. Bradley, Sr., Chairman of the Board of Directors. Interest accrued at 11.5% and was payable on the maturity date, December 31, 1995, or upon the exercise of an option by Holdings for the purchase of 1,800,000 shares of the Company's common stock at \$2.50 per share, whichever was earlier. On December 6, 1995, Holdings exercised its option and the note was repaid in full.

Included in other assets at December 31, 1996, is a receivable for approximately \$100,000 from SPI related to investment banking services performed by the Company in connection with the Company's January 2, 1997 acquisition of Stanwich Leasing, Inc. ("SLI") (see note 14).

Investment in unconsolidated affiliate consists of a 38% interest in NAB Asset Corporation ("NAB") that was acquired by the Company on June 6, 1996, for approximately \$4,300,000. At the time of the acquisition, NAB had approximately \$3.5 million in cash and no significant operations. The Company's investment in NAB exceeded the Company's share of the net assets of NAB at the acquisition date by approximately \$1,418,000. This amount, which is included in other assets in the accompanying balance sheet, has been recorded by the Company as goodwill. Based on the closing price on the Nasdaq, the market value of the investment in NAB was approximately \$7.5 million at December 31, 1996. Charles E. Bradley, Sr., Chairman of the Company's Board of Directors and principal shareholder and Charles E. Bradley, Jr., President, Chief Executive Officer and a member of the Company's Board of Directors are both on the Board of Directors of NAB.

Subsequent to the Company's investment in NAB, NAB purchased Mortgage Portfolio Services, Inc. ("MPS") from the Company for \$300,000. MPS, formed by the Company in April, 1996, is a mortgage broker-dealer based in Texas specializing in "B" and "C" mortgages. In July 1996, NAB formed CARSUSA, Inc. ("CARSUSA"), which purchased, and now owns and operates, a Mitsubishi automobile dealership in Southern California. Included in general and administrative expenses for the year ended December 31, 1996, is \$595,352, which represents the Company's share of NAB's loss since June 6, 1996. Included in other assets at December 31, 1996, are amounts due from NAB amounting to \$1,098,000. Of this amount, \$800,000 relates to a flooring line of credit provided to CARSUSA and the remainder relates to fees owed by MPS and CARSUSA for services rendered by the Company in fiscal 1996.

During fiscal 1996, the Company sold 69 automobiles to CARSUSA and received proceeds of \$458,650. Additionally, the Company purchased 39 contracts from CARSUSA. The aggregate principal balance of the Contracts purchased was \$517,264.

(5) CONTRACTS HELD FOR SALE

The balance of Contracts held for sale was made up of the following components:

	December 31, ----- 1996 ----	December 31, ----- 1995 ----
Gross receivable balance	\$ 28,095,461	\$ 24,584,472
Unearned finance charges	(5,268,107)	(3,820,267)
Dealer discounts	(509,266)	(944,284)
Deferred loan origination costs (net of related fees)	61,774	59,077
Allowance for credit losses	(723,089)	(330,156)
Net contracts held for sale	\$ 21,656,773	\$ 19,548,842
	-----	-----

Activity in the allowance for credit losses consisted of the following:

	Year ended December 31, ----- 1996 ----	Nine months ended December 31, ----- 1995 ----	Year ended March 31, ----- 1995 ----
Balance, beginning of period	\$ 330,156	\$ 323,631	\$ 50,169
Provisions	2,755,803	828,458	532,947
Charge-offs	(2,755,303)	(1,076,982)	(386,408)
Recoveries	392,433	255,049	126,923
Balance, end of period	\$ 723,089	\$ 330,156	\$ 323,631
	-----	-----	-----

The Company is required to represent and warrant certain matters with respect to the Contracts sold to the investors, which generally duplicate the substance of the representations and warranties made by the dealers in connection with the Company's purchase of the Contracts. In the event of a breach by the Company of any representation or warranty, the Company is obligated to repurchase the Contracts from the investors at a price equal to the investors' purchase price less the related credit enhancement and any principal payments received from the borrower. In most cases, the Company would then be entitled under the terms of its agreements with its dealers to require the selling dealer to repurchase the Contracts at the Company's purchase price less any principal payments received from the borrower.

As of December 31, 1996, December 31, 1995, and March 31, 1995, the Company had commitments to purchase \$1,109,595, \$910,325, and \$706,720, respectively of Contracts from Dealers in the ordinary course of business.

(6) SERVICING

Servicing fees are reported as income when earned, net of related amortization of purchased and excess servicing. Servicing costs are charged to expense as incurred. Servicing fees included the following components:

	Year ended December 31,	Nine months ended December 31,	Year ended March 31,
	1996	1995	1995
Gross loan servicing fees	\$ 22,288,086	\$ 8,499,343	\$ 8,411,182
Amortization of purchased servicing	--	--	(4,849)
Amortization of excess servicing	(6,119,219)	(2,023,938)	(1,205,271)
Net Servicing fees	\$ 16,168,867	\$ 6,475,405	\$ 7,201,062

The Company services Contracts and loans to borrowers residing in approximately 49 states, with the largest concentrations of loans in California, Florida, Pennsylvania and Texas. Servicing balances were made up of the following components:

	December 31,		March 31,
	1996	1995	1995
Contracts held for sale	\$ 22,827,354	\$ 20,764,205	\$ 23,469,223
Servicing subject to recourse provisions:			
Whole loan portfolios	11,212,010	21,213,050	29,754,103
Alton Receivables Corp.	10,240,973	22,732,021	35,324,463
CPS Receivables Corp.	461,653,273	224,218,079	104,252,042
	\$ 505,933,610	\$ 288,927,355	\$ 192,799,831

(7) EXCESS SERVICING RECEIVABLES

The following table summarizes ESR activity :

	Year ended December 31,	Nine months ended December 31,	Year ended March 31,
	1996	1995	1995
Balance, beginning of period	\$ 11,108,251	\$ 5,154,361	\$ 2,293,733
ESR gains recognized	18,665,429	7,977,828	4,065,899
Amortization of ESR	(6,119,219)	(2,023,938)	(1,205,271)
Balance, end of period	\$ 23,654,461	\$ 11,108,251	\$ 5,154,361

ESR balances were made up of the following components:

	December 31,		March 31,
	1996	1995	1995
Present value of future cash flows	\$ 70,339,711	\$ 34,538,442	\$ 19,551,370
Discounted allowance for credit losses	(46,685,250)	(23,430,191)	(14,397,009)
Net ESR balance	\$ 23,654,461	\$ 11,108,251	\$ 5,154,361
Servicing subject to recourse provisions	\$ 483,106,256	\$ 268,163,150	\$ 169,330,608
Discounted allowance as percentage of servicing subject to recourse provisions	9.66%	8.74%	8.50%

Net gain on sale on Contracts was made up of the following components:

	Year ended December 31,	Nine months ended December 31,	Year ended March 31,
	1996	1995	1995
Dealer discount	\$ 8,271,777	\$ 5,573,371	\$ 6,750,955
ESR gains recognized	18,665,429	7,977,828	4,065,899
Deferred acquisition fees (expenses)	(1,381,436)	(528,870)	647,766
Expenses related to sales	(2,234,755)	(1,472,916)	(2,010,000)
	\$ 23,321,015	\$ 11,549,413	\$ 9,454,620

(8) SHAREHOLDERS' EQUITY

PREFERRED STOCK

The holders of the Series A Preferred Stock were entitled to receive non-cumulative annual dividends equal to 6% of par value, payable quarterly in cash (or, at the option of the Company, in-kind in additional shares of Series A Preferred Stock), when and as declared by the Board of Directors, after the Company's cumulative net income from the date of the Company's initial public offering reached \$5,000,000. No dividends or other distributions may be made with respect to the common stock until accrued dividends have been declared and paid (or reserved for payment) on the Series A Preferred Stock. Upon liquidation, the Series A Preferred Stock is entitled to receive, in preference to any payment on the common stock, an amount equal to par value plus any accrued and unpaid dividends. After March 31, 1994, the Series A Preferred Stock was subject to redemption at the option of the Company at a price of \$1.00 per share plus accrued and unpaid dividends. On March 15, 1995, the Company redeemed, for an aggregate price of \$3.4 million, all of the outstanding Series A Preferred Stock with proceeds from the March 7, 1995, public offering of 2,000,000 shares of its common stock.

COMMON STOCK

On March 7, 1995, the Company completed a second public offering of 2,000,000 shares of its common stock. Net of related offering expenses of \$1,445,450, the Company raised \$13,304,550 in this offering.

Holders of the common stock are entitled to such dividends as the Company's Board of Directors, in its discretion, may declare out of funds available, subject to the terms of any outstanding shares of preferred stock and other restrictions. In the event of liquidation of the Company, holders of common stock are entitled to receive, pro rata, all of the assets of the Company available for distribution, after payment of any liquidation preference to the holders of outstanding shares of preferred stock. Holders of the shares of common stock

have no conversion or preemptive or other subscription rights and there are no redemption or sinking fund provisions applicable to the common stock.

OPTIONS AND WARRANTS

In 1991, the Company adopted and gained sole shareholder approval of the 1991 Stock Option Plan (the "Plan") pursuant to which the Company's Board of Directors may grant stock options to officers and key employees. The Plan, as amended, authorizes grants of options to purchase up to 2,700,000 shares of authorized but unissued common stock. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. Stock options have terms that range from 7 to 10 years and vest over a range of 0 to 7 years. In addition to the Plan, in fiscal 1995, the Company granted 60,000 options to certain directors of the Company that vest over three years and expire nine years from the grant date.

At December 31, 1996, there were 97,000 additional shares available for grant under the Plan. Of the options outstanding at December 31, 1996 and 1995 and March 31, 1995, 1,319,420, 1,296,786 and 1,191,872 were exercisable with weighted-average exercise prices of \$4.02, \$2.71 and \$2.62, respectively. The per share weighted-average fair value of stock options granted during the year ended December 31, 1996 and the nine months ended December 31, 1995 was \$4.99 and \$4.17 at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year Ended December 31, ----- 1996 ----	Nine months ended December 31, ----- 1995 ----
Expected life (years)	5.86	6.33
Risk-free interest rate	6.23%	6.80%
Volatility	46.20%	46.20%
Expected dividend yield	--	--

The Company applies APB Opinion No. 25 in accounting for its plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation", the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below.

	Year Ended December 31, 1996 ----	Nine months ended December 31, 1995 ----
Net income		
As reported	\$ 14,097,376	\$ 7,575,122
Pro forma	13,550,000	7,505,000
Net income per share		
As reported	\$ 0.95	\$ 0.53
Pro forma	\$ 0.92	\$ 0.53
Net income per fully-diluted share		
As reported	\$ 0.93	\$ 0.52
Pro forma	\$ 0.90	\$ 0.52

Pro forma net income and net income per share reflects only options granted in the year ended December 31, 1996 and the nine months ended December 31, 1995. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options' vesting period and compensation cost for options granted prior to January 1, 1995 is not considered.

Stock options activity during the periods indicated is as follows:

	Number of Shares -----	Weighted- Average Exercise Price -----
Balance at March 31, 1994	1,677,840	\$ 2.63
Granted	415,200	5.54
Exercised	48,000	2.50
Canceled	--	--
	-----	-----
Balance at March 31, 1995	2,045,040	3.23
Granted	159,360	7.61
Exercised	44,000	2.50
Canceled	--	--
	-----	-----
Balance at December 31, 1995	2,160,400	3.56
Granted	513,400	9.60
Exercised	394,600	2.82
Canceled	124,800	5.23
	-----	-----
Balance at December 31, 1996	2,154,400	\$ 5.04
	-----	-----

At December 31, 1996, the range of exercise prices, the number, weighted-average exercise price and weighted-average remaining term of options outstanding and the number and weighted-average price of options currently exercisable are as follows:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Term	Weighted Average Exercise Price	Number Exercisable	Weighted - Average Exercise Price
\$ 2.50 -- \$ 2.50	874,920	1.80	\$ 2.50	874,920	\$ 2.50
\$ 2.69 -- \$ 2.69	228,920	4.96	\$ 2.89	91,840	\$ 2.69
\$ 4.38 -- \$ 4.38	70,000	7.25	\$ 4.38	34,000	\$ 4.38
\$ 5.38 -- \$ 5.38	301,200	7.25	\$ 5.38	27,200	\$ 5.38
\$ 6.78 -- \$ 8.38	201,760	8.09	\$ 7.42	57,700	\$ 7.41
\$ 8.63 -- \$ 8.63	15,000	9.53	\$ 8.63	3,000	\$ 8.63
\$ 8.88 -- \$ 8.88	326,400	9.25	\$ 8.88	205,760	\$ 8.88
\$11.00 -- \$11.00	15,200	7.83	\$11.00	--	--
\$12.00 -- \$12.00	119,000	9.82	\$12.00	23,800	\$12.00
\$12.13 -- \$12.13	2,000	9.83	\$12.13	400	\$12.13

In connection with the Company's initial public offering, the Company sold to the underwriter of the offering, for an aggregate price of \$120, warrants to purchase up to 240,000 shares of the Company's common stock at an exercise price of \$3.00 per share. The warrants are exercisable during the four year period commencing one year from the date of the offering. The shares represented by the warrants have been registered for public sale. During the year ended December 31, 1996, the nine months ended December 31, 1995, and the year ended March 31, 1995, the underwriter exercised 86,000, 100,534, and 39,466 warrants, respectively, leaving a balance of 14,000 at December 31, 1996.

(9) COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases its facilities and certain computer equipment under non-cancelable operating leases which expire through 2007. Future minimum lease payments at December 31, 1996, under these leases are as follows:

1997	\$ 989,333
1998	874,539
1999	794,019
2000	670,497
2001	87,433

	\$ 3,415,821

Subsequent to December 31, 1996, the Company entered into a building lease for a new collection facility in Chesapeake, Virginia. The lease calls for 126 monthly payments of \$21,722 for total minimum lease payments of \$2,736,993.

Rent expense for the year ended December 31, 1996, the nine months ended December 31, 1995, and the year ended March 31, 1995, was \$463,592, \$186,483 and \$219,835, respectively. The Company's facility lease contains certain rental concessions and escalating rental payments which are recognized as adjustments to rental expense and are amortized on a straight-line basis over the term of the lease.

LITIGATION

The Company is subject to lawsuits which arise in the ordinary course of its business. Management is of the opinion, based in part upon consultation with its counsel, that the liability of the Company, if any, arising from existing and threatened lawsuits would not have a material adverse effect on the Company's financial position and results of operations.

(10) INCOME TAXES

Income taxes are comprised of the following:

	Year ended December 31,	Nine months ended December 31,	Year ended March 31,
	----- 1996	----- 1995	----- 1995
Current			
Federal	\$ 3,060,164	\$ 2,156,799	\$ 3,718,390
State	1,150,859	726,319	1,144,158
	-----	-----	-----
	4,211,023	2,883,118	4,862,548
Deferred			
Federal	4,565,383	1,683,960	(353,739)
State	818,614	515,108	(27,877)
	-----	-----	-----
	5,383,997	2,199,068	(381,616)
	-----	-----	-----
Total tax expense	\$ 9,595,020	\$ 5,082,186	\$ 4,480,932
	-----	-----	-----

The Company's effective tax expense differs from the amount determined by applying the statutory Federal rate of 35% for the year ended December 31, 1996, and for the nine months ended December 31, 1995, and the year ended March 31, 1995, to income before income taxes as follows:

	Year ended December 31,	Nine months ended December 31,	Year ended March 31,
	----- 1996	----- 1995	----- 1995
Expense at Federal tax rate	\$ 8,292,338	\$ 4,430,058	\$ 3,901,297
California franchise tax, net of Federal income tax benefit	1,280,157	737,192	727,267
Other	22,525	(85,064)	(147,632)
	-----	-----	-----
	\$ 9,595,020	\$ 5,082,186	\$ 4,480,932
	-----	-----	-----

The tax effected cumulative temporary differences that give rise to deferred tax assets and liabilities as of December 31, 1996, and December 31, 1995, are as follows:

	December 31, ----- 1996 ----	December 31, ----- 1995 ----
Deferred Tax Assets:		
Accrued Liabilities	\$ 13,670	\$ 77,716
Furniture and equipment	23,095	52,938
Provision for credit losses	301,357	33,727
State taxes	508,219	489,856
	----- 846,341	----- 654,237
Valuation allowance	--	--
	----- 846,341	----- 654,237
Deferred Tax Liabilities -		
Excess servicing receivables	7,873,592	2,297,491
	----- \$ 7,027,251	----- \$ 1,643,254
Net deferred tax liability		
	----- \$ 7,027,251	----- \$ 1,643,254

In determining the possible future realization of deferred tax assets, future taxable income from the following sources are taken into account: (a) the reversal of taxable temporary differences, (b) future operations exclusive of reversing temporary differences and (c) tax planning strategies that, if necessary, would be implemented to accelerate taxable income into years in which net operating losses might otherwise expire.

The Company believes that the deferred tax asset will more likely than not be realized due to the reversal of the deferred tax liability and expected future taxable income.

(11) DEBT

In June 1995, the Company entered into two warehouse line of credit agreements (collectively the "Line"). The Line provides the Company with an interim financing facility to hold Contracts for sale in greater numbers and for longer periods of time prior to their sale to other institutional investors. The primary agreement provides for loans by Redwood Receivables Corporation ("Redwood") to the Company, to be funded by commercial paper issued by Redwood and secured by Contracts pledged periodically by the Company. The Redwood facility provides for a maximum of \$100.0 million of advances to the Company, with interest at a variable rate tied to prevailing commercial paper rates (6.99% at December 31, 1996). When the Company wishes to securitize these Contracts, a substantial part of the proceeds received from investors is paid to Redwood, which simultaneously releases the pledged Contracts for transfer to a pass-through securitization trust.

The second agreement is a standby line of credit with General Electric Capital Corporation ("GECC"), also with a \$100.0 million maximum, which the Company may use only if and to the extent that Redwood does not provide funding as described above. The GECC line is secured by Contracts and substantially all the other assets of the Company. Both agreements extend through November 30, 1998.

The two agreements are viewed as a single short-term warehouse line of credit, with advances varying according to the amount of pledged Contracts. The Company is charged a non-utilization fee of .25% per annum on the unused portion of the Line.

In December 1996, the Company entered into a overdraft financing facility with, a bank that provides for maximum borrowings of \$2.0 million. Interest is charged on the outstanding balance at the bank's reference rate (8.25% at December 31, 1996) plus 1.75%. There were no borrowings outstanding under this facility at December 31, 1996. The facility expires on June 1, 1998. Both the Line and the overdraft financing facility contain various restrictive and financial covenants that the Company was in compliance with at December 31, 1996.

On December 20, 1995, the Company issued \$20.0 million in rising interest subordinated redeemable securities due January 1, 2006 (the "Notes"). The Notes are unsecured general obligations of the Company. Interest on the Notes is payable on the first day of each month, commencing February 1, 1996, at an interest rate of 10.0% per annum. The interest rate increases 0.25% on each January 1 for the first nine years and 0.50% in the last year. In connection with the issuance of the Notes, the Company incurred and capitalized issuance costs of \$1,105,695. The Company recognizes interest and amortization expense related to the Notes using a method which approximates the effective interest method over the expected redemption period. The Notes are subordinated to certain existing and future indebtedness of the Company as defined in the indenture agreement. The Company is required to redeem, subject to certain adjustments, \$1.0 million of the aggregate principal amount of the Notes through the operation of a sinking fund on each of January 1, 2000, 2001, 2002, 2003, 2004 and 2005. The Notes are not redeemable at the option of the Company prior to January 1, 1998. The Company may at its option elect to redeem the Notes from the registered holders of the Notes, in whole or in part, at any time, on or after January 1, 1998, and prior to January 1, 1999, at 102% of their principal amount, on or after January 1, 1999, and prior to January 1, 2000, at 101% of their principal amount, and on or after January 1, 2000, at 100% of their principal amount, in each case plus accrued interest to and including the date of redemption.

On March 12, 1993, the Company issued a \$2 million five year convertible subordinated note ("Note 1") to an institutional investor in conjunction with an agreement by that investor to commit to purchase up to \$50 million of the Company's Contracts. Interest accrued at 11% and was payable semi-annually. On July 5, 1995, the holder converted Note 1 to 533,334 shares of the Company's common stock. On November 16, 1993, the Company issued a \$3 million five year convertible subordinated note ("Note 2") to the same institutional investor in conjunction with an agreement by that investor to commit to purchase an additional \$50 million of the Company's Contracts. Interest accrued at 9.5% and was payable semi-annually. On January 17, 1997, the holder converted Note 2 into 480,000 shares of the Company's common stock.

On May 15, 1994, the Company issued a promissory note in the amount of \$2.0 million to the same institutional investor who held Note 2. On October 25, 1994, the Company borrowed an additional \$3.0 million under two new promissory notes from two different institutional investors. These promissory notes bore interest at 400 basis points over the Citibank Base Rate and matured on February 28, 1995, with provisions for extensions to April 30, 1995, at the option of the Company. The Company repaid each of these notes with the proceeds from its March 7, 1995, public common stock offering.

On July 6, 1995, the Company issued a promissory note in the amount of \$2.0 million to the same institutional investor who held Note 2. The note bore interest at 200 basis points over the Citibank Base Rate and matured on December 31, 1995. On December 6, 1995, this note was repaid in full.

(12) EMPLOYEE BENEFITS

The Company sponsors a pretax savings and profit sharing plan (the "401(K) Plan") under section 401(k) of the Internal Revenue Code. Under the 401(K) Plan, eligible employees are able to contribute up to to 15% of their compensation (subject to stricter limitation in the case of highly compensated employees). The Company matches 40% of employees' contributions up to \$500 per employee per calendar year. The Company's contribution to the 401(K) Plan was \$63,801, \$13,811, and \$16,245 for the year ended December 31, 1996, for the nine months ended December 31, 1995, and for the year ended March 31, 1995, respectively.

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following summary presents a description of the methodologies and assumptions used to estimate the fair value of the Company's financial instruments. Much of the information used to determine fair value is highly subjective. When applicable, readily available market information has been utilized. However, for a significant portion of the Company's financial instruments, active market values do not exist. Therefore, considerable judgments were required in estimating fair value for certain items. The subjective factors include, among other things, the estimated timing and amount of cash flows, risk characteristics, credit quality and interest rates, all of which are subject to change. Since the fair value is estimated as of December 31, 1996, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be significantly different. The estimated fair values of financial assets and liabilities at December 31, 1996, were as follows:

Financial Instrument	December 31,			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	1996		1995	
Cash	\$ 153,958	\$ 153,958	\$ 10,895,157	\$ 10,895,157
Contracts held for sale	21,656,773	22,800,000	19,548,842	20,700,000
Investment in subordinated certificates	--	--	2,174,666	2,174,666
Investment in credit enhancements	43,597,472	43,597,472	30,477,793	30,477,793
Excess servicing receivable	23,654,461	23,654,461	11,108,251	11,108,251
Warehouse line of credit	13,264,585	13,264,585	7,500,000	7,500,000
Notes payable	20,000,000	20,000,000	20,000,000	20,000,000
Convertible subordinated debt	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000

CASH

The carrying value equals fair value.

CONTRACTS HELD FOR SALE

The fair value of the Company's contracts held for sale is determined in the aggregate based upon current investor yield requirements and by discounting the future cash flows using the current credit and discount rates that the Company believes reflect the estimated credit, interest rate and prepayment risks associated with similar types of instruments.

INVESTMENTS IN SUBORDINATED CERTIFICATES

The fair value is estimated by discounting future cash flows using credit and discount rates that the Company believes reflect the estimated credit, interest rate and prepayment risks associated with similar types of instruments.

INVESTMENTS IN CREDIT ENHANCEMENTS

The fair value is estimated by discounting future cash flows using credit and discount rates that the Company believes reflect the estimated credit, interest rate and prepayment risks associated with similar types of instruments.

EXCESS SERVICING RECEIVABLES

The fair value is estimated by discounting future cash flows using credit and discount rates that the Company believes reflect the estimated credit, interest rate and prepayment risks associated with similar types of instruments.

WAREHOUSE LINE OF CREDIT

The carrying value approximates fair value because the warehouse line of credit is short-term in nature and the related interest rates are estimated to reflect current market conditions for similar types of instruments.

NOTES PAYABLE

The fair value is estimated based on quoted market prices and on current rates for similar debt with similar remaining maturities.

CONVERTIBLE SUBORDINATED DEBT

The carrying value approximates fair value because the related interest rates are estimated to reflect current market conditions for similar types of instruments.

(14) SUBSEQUENT EVENTS

In January 1997, the Company purchased 80% of the outstanding stock of SLI from Charles E. Bradley, Sr., Chairman of the Board of Directors and principal shareholder, and John G. Poole, a director of the Company, for a purchase price of \$100,000. The transaction was considered and approved by the independent members of the Board of Directors of the Company.

In February 1997, the Company filed a Form S-3 Registration Statement with the Securities and Exchange Commission to sell approximately \$35 million in unsecured Participating Equity Notes due in 2004. Twenty-five percent of each note is convertible into common stock of the Company at maturity or in connection with redemption. The notes will be subordinate to all existing and future senior indebtedness.

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES, OR AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS PROSPECTUS.

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\$35,000,000

CONSUMER PORTFOLIO
 SERVICES, INC.

_____% PARTICIPATING EQUITY NOTES-SM-
 DUE 2004
 "PENS-SM-"

 PROSPECTUS

PIPER JAFFRAY INC.
 LEGG MASON WOOD WALKER
 INCORPORATED
 DAIN BOSWORTH
 INCORPORATED

, 1997

PART II
INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Set forth below are the expenses estimated in connection with the issuance and distribution of the Company's securities, other than underwriting discounts and commissions. All expenses incurred with respect to the distribution will be paid by the Company. Except for the SEC registration fee, the NASD filing fee, and the NYSE filing fee, all expenses are estimated and assume that the Underwriters' over-allotment option is not exercised.

SEC registration fee	\$12,197
NASD filing fee	4,525
NYSE filing fee	2,500
Printing and engraving expenses	70,000
Accounting fees and expenses	75,000
Legal fees and expenses (not including blue sky)	50,000
Blue sky filing fees and expenses	10,000
Rating agency fees	35,000
Trustee fees	5,000
Miscellaneous expenses	5,878

Total	\$270,000

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Under California law, a California corporation may eliminate or limit the personal liability of a director to the corporation for monetary damages for breach of the director's duty of care as a director, provided that the breach does not involve certain enumerated actions, including, among other things, intentional misconduct or knowing and culpable violation of the law, acts or omissions which the director believes to be contrary to the best interests of the corporation or its shareholders or which reflect an absence of good faith on the director's part, the unlawful purchase or redemption of stock, payment of unlawful dividends, and receipt of improper personal benefits. The Company's Board of Directors believes that such provisions have become commonplace among major corporations and are beneficial in attracting and retaining qualified directors, and the Company's Articles of Incorporation include such provisions.

The Company's Articles of Incorporation and Bylaws also impose a mandatory obligation upon the Company to indemnify any director or officer to the fullest extent authorized or permitted by law (as now or hereinafter in effect), including under circumstances in which indemnification would otherwise be at the discretion of the Company.

The Purchase Agreement to be entered into between the Company and the Underwriters, the form of which is included as an exhibit to this Registration Statement, includes the Company's agreement to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments the Underwriters may be required to make with respect thereto. The Purchase Agreement also includes certain reciprocal indemnification rights in favor of the Company and its directors, officers and control persons.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

Exhibit No.	Description of Exhibit
1.1	Form of Purchase Agreement.
4.1	Form of Indenture.*
4.2	Form of Participating Equity Note (included in Exhibit 4.3 herein).*
4.3	Form of First Supplemental Indenture.*
5.1	Opinion of Troy & Gould Professional Corporation.**
12.1	Statement re: computation of ratio of earnings to fixed charges.
25.1	Form T-1 Statement of Eligibility of Trustee.
23.1	Consent of KPMG Peat Marwick LLP.
23.2	Consent of Troy & Gould Professional Corporation (contained in Exhibit 5.1).**

* Previously filed.

** To be filed by amendment.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions or otherwise, the Registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has already been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and shall be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement

relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Irvine, California on March 3, 1997.

CONSUMER PORTFOLIO SERVICES, INC.
 By /s/ JEFFREY P. FRITZ

 Jeffrey P. Fritz
 Sr. Vice President and Chief Financial
 Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ * ----- Charles E. Bradley, Jr.	President, Chief Executive Officer (Principal Executive Officer) and Director	March 3, 1997
/s/ * ----- Charles E. Bradley, Sr.	Chairman of the Board	March 3, 1997
/s/ JEFFREY P. FRITZ ----- Jeffrey P. Fritz	Senior Vice President and Chief Executive Officer (Principal Financial and Accounting Officer)	March 3, 1997
/s/ * -----	Director	March 3, 1997
/s/ * ----- John G. Poole	Director	March 3, 1997
/s/ ** ----- Robert A. Simms	Director	March 3, 1997
/s/ ** ----- Thomas L. Chrystie	Director	March 3, 1997
* By Jeffrey P. Fritz, under power of attorney included in the initial filing of this registration statement		
** By Jeffrey P. Fritz, under power of attorney filed herewith.		
/s/ JEFFREY P. FRITZ ----- Jeffrey P. Fritz, attorney-in-fact	March 3, 1997	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Irvine, California on February 5, 1997.

CONSUMER PORTFOLIO SERVICES, INC.

By

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

POWER OF ATTORNEY

Each person whose signature appears below hereby appoints Charles E. Bradley, Jr. and Jeffrey P. Fritz his true and lawful attorneys-in-fact, each with power to act alone, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature Title Date

Charles E. Bradley, Jr. President, Chief Executive
Officer (Principal Executive
Officer) and Director

Charles E. Bradley, Sr. Chairman of the Board

Jeffrey P. Fritz Senior Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

William B. Roberts Director

John G. Poole Director

/s/ ROBERT A. SIMMS Director February 5, 1997

Robert A. Simms

/s/ THOMAS L. CHRYSTIE Director February 5, 1997

Thomas L. Chrystie

EXHIBIT INDEX

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* Previously filed

** To be filed by amendment.

\$35,000,000*

CONSUMER PORTFOLIO SERVICES, INC.

____ % PARTICIPATING EQUITY NOTES-SM- DUE 2004

PURCHASE AGREEMENT

_____, 1997

PIPER JAFFRAY INC.
LEGG MASON WOOD WALKER, INCORPORATED
DAIN BOSWORTH INCORPORATED
c/o Piper Jaffray Inc.
Piper Jaffray Tower
222 South Ninth Street
Minneapolis, Minnesota 55402

Ladies and Gentlemen:

Pursuant to the terms of this Purchase Agreement (the "Agreement"), Consumer Portfolio Services, Inc., a California corporation (the "Company"), proposes to sell to the underwriters named in Schedule I hereto (the "Underwriters"), an aggregate of \$35,000,000 aggregate principal amount of its ____% Participating Equity Notes-SM- due 2004 (the "Firm Notes"). The Firm Notes are to be sold to the Underwriters, acting severally and not jointly in such amounts as are set forth in Schedule I hereto opposite the name of such Underwriter. The Company also proposes to grant to the Underwriters an option to purchase up to an additional \$5,250,000 in aggregate principal amount of ____% Participating Equity Notes-SM- due 2004 of the Company as provided for in Section 2 of this Agreement (the "Option Notes"). The Firm Notes and the Option Notes purchased pursuant to this Agreement are herein collectively referred to as the "Notes." The Notes are to be issued pursuant to an Indenture and a First Supplemental Indenture (collectively, the "Indenture"), to be dated as of _____, 1997, among the Company and Bankers Trust Company, New York, New York, as trustee (the "Trustee").

* Plus an option to purchase up to an additional \$5,250,000 aggregate principal amount to cover over-allotments.

The Company hereby confirms its agreement with respect to the purchase and sale of the Notes:

1. REGISTRATION STATEMENT AND PROSPECTUS. The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") in conformity with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Act"), a registration statement on Form S-3 (File No. 333-_____), including a preliminary prospectus and a Statement of Eligibility on Form T-1 with respect to the Trustee (File No. _____) pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), relating to the Notes; one or more amendments to such registration statement have also been so prepared and have been, or will be, so filed; and, if the Company has elected to rely upon Rule 462(b) under the Act to increase the size of the offering registered under the Act, the Company will prepare and file with the Commission a registration statement with respect to such increase pursuant to Rule 462(b). Copies of such registration statement(s) and amendments and each related preliminary prospectus have been delivered to you.

If the Company has elected not to rely upon Rule 430A of the Rules and Regulations, the Company has prepared and will promptly file an amendment to the registration statement and an amended prospectus (including a term sheet meeting the requirements of Rule 434 of the Rules and Regulations). If the Company has elected to rely upon Rule 430A of the Rules and Regulations, it will prepare and file a prospectus (or a term sheet meeting the requirements of Rule 434) pursuant to Rule 424(b) that discloses the information previously omitted from the prospectus in reliance upon Rule 430A. Such registration statement as amended at the time it is or was declared effective by the Commission, and, in the event of any amendment thereto after the effective date and prior to the Closing Date (as hereinafter defined), such registration statement as so amended (but only from and after the effectiveness of such amendment), including a registration statement (if any) filed pursuant to Rule 462(b) of the Rules and Regulations increasing the size of the offering registered under the Act and information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rules 430A(b) and 434(d) of the Rules and Regulations, is hereinafter called the "Registration Statement." The prospectus included in the Registration Statement at the time it is or was declared effective by the Commission is hereinafter called the "Prospectus," except that if any prospectus (including any term sheet meeting the requirements of Rule 434 of the Rules and Regulations provided by the Company for use with a prospectus subject to completion within the meaning of Rule 434 in order to meet the requirements of Section 10(a) of the Rules and Regulations) filed by the Company with the Commission pursuant to Rule 424(b) (and Rule 434, if

applicable) of the Rules and Regulations or any other such prospectus provided to the Underwriters by the Company for use in connection with the offering of the Notes (whether or not required to be filed by the Company with the Commission pursuant to Rule 424(b) of the Rules and Regulations) differs from the prospectus on file at the time the Registration Statement is or was declared effective by the Commission, the term "Prospectus" shall refer to such differing prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations) from and after the time such prospectus is filed with the Commission or transmitted to the Commission for filing pursuant to such Rule 424(b) (and Rule 434, if applicable) or from and after the time it is first provided to the Underwriters by the Company for such use. The term "Preliminary Prospectus" as used herein means any preliminary prospectus included in the Registration Statement prior to the time it becomes or became effective under the Act and any prospectus subject to completion as described in Rule 430A or 434 of the Rules and Regulations. Any reference herein to the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act as of the date of such Prospectus. Any reference to any amendment or supplement to the Prospectus (including any supplement to the Prospectus) shall be deemed to refer to and include any documents filed after the date of such Prospectus under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated therein by reference.

2. AGREEMENT TO SELL AND PURCHASE.

(a) On the basis of the representations, warranties and agreements of the Company herein contained and subject to the terms and conditions set forth herein, the Company hereby agrees to issue and sell to the Underwriters, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at the purchase price of \$___ per \$1,000 principal amount, the aggregate principal amount of Firm Notes set forth opposite the name of such Underwriter in Schedule I hereto (or such aggregate principal amount of Firm Notes as such Underwriter shall be obligated to purchase pursuant to the provisions of Section 9 hereof).

(b) The Company agrees to sell to the Underwriters and, on the basis of the representations, warranties and agreements of the Company set forth herein and subject to the terms and conditions set forth herein, the Underwriters shall have the right to purchase, severally and not jointly, from the Company all or any portion of the Option Notes at the purchase price set forth above plus accrued interest upon delivery to the Company of the notice hereinafter referred to. Option Notes may be purchased solely for the purpose of covering over-allotments made in connection with the offering of the Firm Notes. If any Option Notes are to be purchased, each Underwriter, severally and not jointly, agrees to

purchase from the Company the aggregate principal amount of Option Notes which bears the same proportion to the total aggregate principal amount of Option Notes to be purchased from the Company as the aggregate principal amount of Firm Notes set forth opposite such Underwriter's name in Schedule I (or such aggregate principal amount of Firm Notes increased pursuant to the terms set forth in Section 9 hereof) bears to the total aggregate principal amount of Firm Notes.

3. TERMS OF PUBLIC OFFERING. The Company is advised by the Underwriters that the Underwriters have agreed to make a public offering of their respective portions of the Notes as soon after the Registration Statement has become effective and this Agreement has been executed as in the judgment of the Underwriters is advisable and to first offer the Notes upon the terms set forth in the Prospectus.

4. DELIVERY OF THE NOTES AND PAYMENT THEREFOR.

(a) The Firm Notes to be purchased by each Underwriter in book-entry form and in such authorized denominations and registered in the name of the nominee of The Depository Trust Company, shall be delivered by or on behalf of the Company through the facilities of The Depository Trust Company for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor by wire transfer or certified or official bank check or checks, in each case in New York Clearing House (next-day) funds, payable to the order of the Company or, at the option of the Underwriters, by wire transfer in federal (same-day) funds on which the Company will pay one day's interest at the broker call rate as reported in THE WALL STREET JOURNAL, at 9:00 a.m., California time, on the third (or if the Firm Notes are priced, as contemplated by Rule 15c6-1(c) under the Exchange Act, after 4:30 p.m. Eastern time on the date of this Agreement, the fourth) business day following the date of this Agreement, (the "Closing Date") at the offices of Troy & Gould Professional Corporation, 1801 Century Park East, Los Angeles, CA 90067. The place of the closing and the Closing Date may be varied by agreement among the Underwriters and the Company.

(b) The Option Notes to be purchased by each Underwriter in book-entry form and in such authorized denominations and registered in the name of the nominee of The Depository Trust Company, shall be delivered by or on behalf of the Company through the facilities of The Depository Trust Company for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor in the manner specified in clause (a) above, at the offices of Troy & Gould Professional Corporation at such time and on such date (the "Option Closing Date"), which may be the same as the Closing Date but shall in no event be earlier than the Closing Date nor earlier than three nor

later than ten business days after the giving of the notice hereinafter referred to, as shall be specified in written notice from the Underwriters to the Company of the determination to purchase Option Notes in such principal amount as specified in said notice. Said notice may be given at any time within 30 days after the date of the execution of this Agreement. The place of the option closing and the Option Closing Date may be varied by agreement between the Underwriters and the Company.

5. AGREEMENTS OF THE COMPANY. The Company agrees with the several Underwriters as follows:

(i) If the Registration Statement has not already been declared effective by the Commission, the Company will use its best efforts to cause the Registration Statement and any post-effective amendments thereto to become effective as promptly as possible; the Company will notify you promptly of the time when the Registration Statement or any post-effective amendment to the Registration Statement has become effective or any supplement to the Prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations) has been filed and of any request by the Commission for any amendment or supplement to the Registration Statement or Prospectus or additional information; if the Company has elected to rely on Rule 430A of the Rules and Regulations, the Company will prepare and file a Prospectus (or term sheet within the meaning of Rule 434 of the Rules and Regulations) containing the information omitted therefrom pursuant to Rule 430A of the Rules and Regulations with the Commission within the time period required by, and otherwise in accordance with the provisions of, Rules 424(b), 430A and 434, if applicable, of the Rules and Regulations; if the Company has elected to rely upon Rule 462(b) of the Rules and Regulations to increase the size of the offering registered under the Act, the Company will prepare and file a registration statement with respect to such increase with the Commission within the time period required by, and otherwise in accordance with the provisions of, Rule 462(b); the Company will prepare and file with the Commission, promptly upon your request, any amendments or supplements to the Registration Statement or Prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations) that, in your opinion, may be necessary or advisable in connection with the distribution of the Notes by the Underwriters; and the Company will not file any amendment or supplement to the Registration Statement or Prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations) to which you shall reasonably object by notice to the Company after having been furnished a copy a reasonable time prior to the filing.

(ii) The Company will advise you, promptly after it shall receive notice or obtain knowledge thereof, of the issuance by the Commission of any stop order suspending the effectiveness of the

Registration Statement, of the suspension of the qualification of the Notes for offering or sale in any jurisdiction, or of the initiation or threatening of any proceeding for any such purpose; and the Company will promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such a stop order should be issued.

(iii) Within the time during which a prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations) relating to the Notes is required to be delivered under the Act, the Company will comply as far as it is able with all requirements imposed upon it by the Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Notes as contemplated by the provisions hereof and the Prospectus. If during such period any event occurs as a result of which the Prospectus would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary to amend the Registration Statement or supplement the Prospectus to comply with the Act, the Company will promptly notify you and will amend the Registration Statement or supplement the Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(iv) The Company will furnish to each of the Underwriters and their counsel, without charge, one signed copy of the Registration Statement and of each amendment thereto, including all exhibits thereto and documents incorporated therein by reference, and will also furnish to each of the Underwriters, without charge, such number of conformed copies of the Registration Statement and of each amendment thereto as each of the Underwriters may reasonably request.

(v) The Company will not file any amendment to the Registration Statement or make any amendment or supplement to the Prospectus of which the Underwriters shall not previously have been advised or to which any of the Underwriters promptly after being so advised shall reasonably have objected in writing.

(vi) Prior to the effective date of the Registration Statement, the Company will have delivered or will deliver to each Underwriter, without charge, copies of each form of preliminary prospectus in such quantities as such Underwriter has reasonably requested or may hereafter reasonably request for the purposes contemplated by the Act.

(vii) On the effective date of the Registration Statement and thereafter from time to time during such period as in the opinion of counsel for the Underwriters a prospectus is

required by law to be delivered in connection with offers or sales of the Notes by an Underwriter or a dealer, the Company will deliver to each Underwriter and dealer, without charge, as many copies of the Prospectus (and of any amendment or supplement thereto) as they may reasonably request. During such period, if any event occurs which in the judgment of the Company, or in the opinion of counsel for the Underwriters, should be set forth in the Prospectus in order to ensure that no part of the Prospectus includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances at the time the Prospectus is delivered to a purchaser, not misleading, the Company will forthwith prepare, submit to the Underwriters, file with the Commission and deliver, without charge to the several Underwriters and dealers (whose names and addresses will be furnished by the Underwriters to the Company) to whom Notes have been sold by the Underwriters or to other dealers upon request, an amendment or supplement, as appropriate, to the Prospectus so that the statements in the Prospectus, as so amended or supplemented, will comply with the standards set forth in this sentence. The Company consents to the use of such Prospectus (and of any amendments or supplements thereto) in accordance with the provisions of the Act and with the securities or Blue Sky laws of the jurisdictions described in the preliminary Blue Sky memorandum in which the Notes are lawfully offered by the several Underwriters and by all dealers to whom Notes may be sold, both in connection with the offering or sale of the Notes and for such period of time thereafter as the Prospectus is required by law to be delivered in connection therewith. In case any Underwriter is required to deliver a Prospectus (and any amendment or supplement thereto) more than nine months after the first date upon which the Notes are offered to the public, the Company will, upon the request of the Underwriters but at the expense of such Underwriter, furnish such Underwriter with reasonable quantities of a Prospectus complying with Section 10(a)(3) of the Act.

(viii) The Company will cooperate with the Underwriters and counsel for the Underwriters in connection with the registration or qualification of the Notes for offer and sale by the several Underwriters and by dealers under the securities or Blue Sky laws of such jurisdictions as the Underwriters may designate and will file such consents to service of process or other documents as may be necessary in order to effect such registration or qualification; provided that in no event shall the Company be obligated (w) to qualify to do business in any jurisdiction where it is not now so qualified, (x) to file any general consent to service of process, (y) take any action that would subject it to income taxation in any jurisdiction where it is not so qualified or (z) to take any action to amend its Articles of Incorporation in order to make the Company's securities eligible for registration or qualification in any state.

(ix) The Company will make generally available to the holders of Notes an earnings statement of the Company and its subsidiaries, which need not be audited, as soon as practicable but not later than 18 months after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including Rule 158).

(x) For a period of five years after the date of this Agreement:

(A) the Company will furnish to the Underwriters (1) as soon as available, a copy of each report of the Company of general interest mailed to any class of its security holders, (2) copies of all annual, quarterly reports and current reports filed with the Commission on Forms 10-K, 10-Q and 8-K and any amendment thereto or such other similar forms as may be designated by the Commission or required to be filed by the Company pursuant to Sections 13, 14 and 15 of the Exchange Act, which the Company agrees to timely file with the Commission for so long as may be required, (3) a copy of each report furnished to or filed with any securities exchange or the National Market of the National Association of Securities Dealers Automated Quotation System ("Nasdaq National Market") and (4) from time to time, such other information concerning the Company as the Underwriters may reasonably request; and

(B) if at any time during such five-year period, the Company shall cease filing with the Commission the annual, quarterly reports and current reports on Forms 10-K, 10-Q and 8-K or other similar forms referred to in clause (A) above, the Company will forward to its stockholders generally and the Underwriters (1) as soon as practicable after the end of each fiscal year, copies of a balance sheet and statements of income and retained earnings of the Company as of the end of and for such fiscal year, audited by independent public accountants, and (2) as soon as practicable after the end of each quarterly fiscal period, except for the last quarterly fiscal period in each fiscal year, a summary statement (which need not be audited) of income and retained earnings of the Company for such period, which shall also be made publicly available.

If and so long as the Company shall have any subsidiaries, the financial statements referred to above shall be consolidated to the extent the accounts of the Company and such subsidiaries are consolidated, and separate financial statements shall be furnished for each significant subsidiary, as defined in Regulation S-X of the Commission, whose accounts are not so consolidated.

(xi) Prior to the Closing Date, the Company will issue no press release or other public communication directly or indirectly and hold no press conference with respect to the Company or any subsidiary or this offering, without the Underwriters' prior written consent.

(xii) The Company will pay, or reimburse if paid by the Underwriters, whether or not the transactions contemplated hereby are consummated or this Agreement is prevented from becoming effective under the provisions of Section 10 hereof or is terminated, all costs and expenses incident to the performance by it of its obligations under this Agreement including, without limiting the generality of the foregoing, (1) typesetting, printing, duplicating, and filing (and all preparation therefor) and distribution (including, without limitation, postage, air freight charges and charges for counting and packaging) of the original registration statement, the Registration Statement, each preliminary prospectus, the Prospectus, each amendment and/or supplement to any of the foregoing, and this Agreement and other underwriting documents and the Indenture, (2) all costs of furnishing to the several Underwriters and dealers copies of the foregoing materials (provided, however, that any such copies furnished by the Company more than nine months after the first date upon which the Notes are offered to the public shall be at the expense of the several Underwriters or dealers so requesting as provided in paragraph (vi) above), (3) the registrations or qualifications referred to in paragraph (viii) above (including reasonable fees and disbursements of counsel in connection therewith) and expenses of printing and delivering to the several Underwriters copies of the preliminary and final Blue Sky memorandum, (4) the review of the terms of the public offering of the Notes by the National Association of Securities Dealers, Inc. (the "NASD") (including the filing fees paid to the NASD in connection therewith) and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith, (5) the performance by the Company of its other obligations under this Agreement, including the fees of the Company's counsel and accountants, (6) the issuance of the Notes and the preparation and printing of the certificates representing the Notes, (7) the fees and expenses of the Trustee and any agent of the Trustee and any transfer or paying agent for the Company, (8) all travel, lodging and reasonable living expenses incurred by the Company in connection with marketing, dealer and other meetings attended by the Company and the Underwriters in marketing the Notes, (9) listing fees, if any, (10) any fees charged by security rating services for rating the Notes and (11) furnishing to the several Underwriters copies of all reports and information required by paragraph (x) above, including costs of shipping and mailing.

(xiii) If the sale of the Notes provided for herein is not consummated by reason of action by the Company pursuant to

Section 10 hereof which prevents this Agreement from becoming effective, or by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition of the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled, the Company will reimburse the several Underwriters for all out-of-pocket disbursements (including fees and disbursements of counsel) incurred by the Underwriters in connection with their investigation, preparing to market and marketing the Notes or in contemplation of performing their obligations hereunder. The Company shall not in any event be liable to any of the Underwriters for loss of anticipated profits from the transactions covered by this Agreement.

(xiv) The Company will apply the net proceeds from the sale of the Notes to be sold by it under this Agreement for the purposes set forth in the Prospectus under the caption "Use of Proceeds."

(xv) The Company confirms as of the date hereof that it is in compliance with all provisions of Section 1 of Laws of Florida, Chapter 92-198, AN ACT RELATING TO DISCLOSURE OF DOING BUSINESS WITH CUBA, and the Company further agrees that if it commences engaging in business with the government of Cuba or with any person or affiliate located in Cuba after the date the Registration Statement becomes or has become effective with the Commission or with the Florida Department of Banking and Finance (the "Department"), whichever date is later, or if the information reported in the Prospectus, if any, concerning the Company's business with Cuba or with any person or affiliate located in Cuba changes in any material way, the Company will provide the Department notice of such business or change, as appropriate, in a form acceptable to the Department.

(xvi) The Company will comply (1) with all registration, filing and reporting requirements of the Exchange Act which may from time to time be applicable to the Company and (2) all provisions of all undertakings contained in the Registration Statement.

(xvii) The Company will not incur any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(xviii) The Company has not taken and will not take, directly or indirectly, any action designed to or which might reasonably be expected to cause or result in, or which has constituted, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Notes.

6. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to each Underwriter that:

(i) [No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission and] each Preliminary Prospectus, at the time of filing thereof, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing shall not apply to statements in or omissions from any Preliminary Prospectus in reliance upon, and in conformity with, information furnished in writing to the Company by any Underwriter expressly for use in the Prospectus.

(ii) As of the time the Registration Statement (or any post-effective amendment thereto) is or was declared effective by the Commission, upon the filing or first delivery to the Underwriters of the Prospectus (or any supplement to the Prospectus (including any term sheet meeting the requirements of Rule 434)) and at the Closing Date, (A) the Registration Statement and Prospectus (in each case, as so amended or supplemented) conformed or will conform in all material respects to the requirements of the Act and Regulations, (B) the Registration Statement (as so amended) did not or will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (C) the Prospectus (as so supplemented) did not or will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they are or were made, not misleading; except that the foregoing shall not apply to statements in or omissions from any such document in reliance upon, and in conformity with, written information furnished to the Company by any Underwriter specifically for use in the preparation thereof. The Registration Statement has been declared effective by the Commission; [no stop order suspending the effectiveness of the Registration Statement has been issued; and no proceeding for that purpose has been initiated or to the Company's knowledge, threatened by the Commission.]

(iii) The documents incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in

the Prospectus, or any amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they are made not misleading; provided, however, that this representation and warranty shall not apply to the Statement of Eligibility of the Trustee on Form T-1 filed as an Exhibit to the Registration Statement or to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by any Underwriter expressly for use in the Prospectus as supplemented to relate to the Notes.

(iv) The Registration Statement and Prospectus conform, and any amendments or supplements thereto will conform, in all material respects to the requirements of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date in the case of the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, provided, however, that this representation and warranty shall not apply to the Statement of Eligibility of the Trustee on Form T-1 filed as an Exhibit to the Registration Statement or to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by any Underwriter expressly for use in the Prospectus as supplemented to relate to the Securities.

(v) Any contract, agreement, instrument, lease, or license required to be described in the Registration Statement or Prospectus has been properly described therein. Any contract, agreement, instrument, lease, or license required to be filed as an exhibit to the Registration Statement has been filed with the Commission as an exhibit to the Registration Statement.

(vi) KPMG Peat Marwick LLP, the Company's auditors, are independent public accountants with respect to the Company as required by the Act.

(vii) The consolidated financial statements and schedules of the Company and its consolidated subsidiaries and the financial information with respect to the subsidiaries of the Company included or incorporated by reference in the Registration Statement and the Prospectus present fairly the financial position of the Company and its consolidated subsidiaries (including,

without limitation, the reserves for credit losses) as of the dates indicated, and the results of operations, cash flows and changes in financial position of the Company and its consolidated subsidiaries for the periods specified. Such financial statements and schedules have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the entire period involved, except to the extent disclosed therein. No other financial statements are required to be included in the Registration Statement or Prospectus.

(viii) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of California, has all requisite corporate power and corporate authority to own or lease its property and conduct its business as described in the Registration Statement and the Prospectus and is qualified to do business as a foreign corporation in each jurisdiction in which the ownership or lease of its properties, or the conduct of its business, requires such qualification and in which the failure to be so qualified or in good standing would have a material adverse effect on the financial condition, affairs, business or prospects of the Company and the Subsidiaries (defined below) considered as a whole. The Company does not own or lease property or transact business in any other jurisdiction where the ownership of such property or the transaction of such business would require it to qualify as a foreign corporation under the laws of such jurisdiction.

(ix) The Company has an authorized and outstanding capitalization as set forth in the Prospectus and the Notes conform in all material respects to the description thereof contained in the Prospectus. All of the issued and outstanding shares of capital stock of the Company and all of the issued and outstanding shares of capital stock of each Subsidiary have been duly authorized, validly issued and are fully paid and non-assessable and, in the case of the Subsidiaries, are owned of record and beneficially by the Company, and, except as set forth in the Registration Statement, are free and clear of any liens, claims, security interests, pledges, charges, encumbrances, shareholders' agreements, and voting trusts or rights of others. Except as set forth in the Prospectus, there are no options, agreements, contracts, preemptive rights, or other rights in existence (i) to acquire from the Company any shares of capital stock or (ii) to acquire from the Company or any Subsidiary any of the capital stock of any Subsidiary.

(x) The Company has no subsidiaries except for (G&A Financial Services, Inc., a California corporation, Alton Receivables Corp., a California corporation, CPS Funding Corporation, a California corporation, CPS Receivables Corp., a California corporation, Samco Acceptance Corp., a Texas Corporation, LINC Acceptance Corp., a Connecticut Corporation, and

Stanwich Leasing, Inc., a _____ Corporation) (individually, a "Subsidiary" and collectively, the "Subsidiaries"). Other than such subsidiaries of the Company and its ownership of [38%] of the outstanding stock of NAB Corp., the Company owns no capital stock or other equity or ownership or proprietary interest in any corporation, partnership, association, trust or other entity.

(xi) Each Subsidiary has been duly organized and is validly existing as a corporation and is in good standing under the laws of its jurisdiction of incorporation or charter, has all requisite corporate power and corporate authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and Prospectus. Each Subsidiary is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the ownership or lease of its properties, or the conduct of its business, requires such qualification and in which the failure to be so qualified or in good standing would have a material adverse effect on the financial condition, affairs, business or prospects of the Company and the Subsidiaries as a whole.

(xii) Each of the Company and each Subsidiary has all necessary and material authorizations, approvals, licenses, certificates, permits and orders (collectively, "Permits") of and from all governmental regulatory officials and bodies to own its properties and to conduct its business as described in the Registration Statement and Prospectus and is conducting its business in compliance with all applicable laws, rules and regulations of the jurisdictions in which it is conducting business including, but not limited to, all applicable federal and state laws and regulations that regulate or are concerned in any way with usury or consumer credit; except in any case where the failure to possess any such Permit would not have a material adverse effect on the financial condition, affairs, business or prospects of the Company and the Subsidiaries considered as a whole.

(xiii) The Indenture, which will be substantially in the form filed as an exhibit to the Registration Statement, has been duly authorized and duly qualified under the Trust Indenture Act and when executed and delivered by the Company and the Trustee, the Indenture will have been duly authorized, executed and delivered by the Company and will constitute a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and to general principles of equity; and the Indenture conforms in all material respects to the description thereof in the Prospectus.

(xiv) The Notes have been duly authorized and, when executed and authenticated in accordance with the terms of the

Indenture and issued and delivered in accordance with the terms of this Agreement against payment therefor, will have been duly authorized, executed, authenticated and delivered by the Company and will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture, enforceable against the Company in accordance with their terms, subject, as to such benefit and enforcement, to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and to general principles of equity; the Notes conform in all material respects to the description thereof contained in the Prospectus and will be substantially in the form filed as an exhibit to the Registration Statement.

(xv) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated or contemplated therein, there has not been (A) any material adverse change in the condition (financial or otherwise), affairs, business or key personnel, property, prospects, net worth or results of operations of the Company or any Subsidiary, whether or not arising in the ordinary course of business, (B) any material transaction entered into, or any material liability or obligation incurred, direct or contingent, by the Company or any Subsidiary, other than in the ordinary course of business, (C) any change in the capital stock (other than the issuance of shares of common stock upon exercise of options under the Company's stock option plans), or material increase in the short-term debt or long-term debt of the Company or any Subsidiary, or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock of the Company or any Subsidiary or (D) any dividend or distribution of any kind declared, paid or made by the Company on its capital stock.

(xvi) The Company and the Subsidiaries have good and marketable title to all properties and assets described in the Prospectus as owned by them, free and clear of all liens, charges, encumbrances or restrictions, except such as are referred to in the Prospectus or are not materially significant in relation to the financial condition, affairs, business or prospects of the Company and the Subsidiaries considered as a whole; all of the leases and subleases material to the business of the Company or under which the Company or any Subsidiary holds properties described in the Prospectus are in full force and effect; and neither the Company nor any Subsidiary has any notice of any material claim of any sort which has been asserted by anyone adverse to the rights of the Company or such Subsidiary as owner or as lessee or sublessee under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or the Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(xvii) Neither the Company nor any Subsidiary is in default nor will the performance of this Agreement or the issuance and sale of the Notes result in a default in the observance of any provision of its charter, certificate of incorporation or by-laws, or in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease, license or other agreement or instrument to which it is a party or by which it or any of its respective properties are subject or may be bound, which would have a materially adverse effect on the financial condition, affairs, business or prospects of the Company and the Subsidiaries considered as a whole. No consent of any party to any contract, indenture, mortgage, loan agreement, note, lease, license or other agreement or instrument to which the Company or any Subsidiary is a party, or by which it or any of its respective properties or assets are subject or may be bound, is required for the execution, delivery or performance of this Agreement, or the issuance and sale of the Notes, other than such consents which have been obtained.

(xviii) This Agreement has been duly authorized, executed and delivered by the Company, and constitutes a valid, legal and binding obligation of the Company, enforceable in accordance with its terms, except as rights to indemnity hereunder may be limited by federal or state securities laws and except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally and subject to general principles of equity. The Company has full power and authority to enter into this Agreement and to authorize, issue and sell the Notes as contemplated by this Agreement.

(xix) The execution and delivery by the Company of this Agreement and the Indenture, the issuance and delivery of the Notes, the consummation of the transactions contemplated herein and in the Registration Statement and compliance with the terms of this Agreement have been duly authorized by all necessary corporate action and will not result in any violation of the Articles of Incorporation or by-laws of the Company, and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary under any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary, or any of their respective properties, is bound, or any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their respective properties.

(xx) No consent, approval, authorization or order of, or filing with any court, governmental authority or agency having jurisdiction over the Company or any Subsidiary is required in connection with the execution, delivery and performance of this Agreement or for the consummation of the transactions contemplated hereby, including the issuance, sale and delivery of the Notes in accordance with the terms of this Agreement and the Indenture, except such as may be required under the Act, the Trust Indenture Act and state securities or Blue Sky laws.

(xxi) Neither the Commission nor the Blue Sky or securities authority of any jurisdiction has issued a stop order (a "Stop Order") suspending the effectiveness of the Registration Statement, preventing or suspending the use of any Preliminary Prospectus, the Prospectus, the Registration Statement, or any amendment or supplement thereto, refusing to permit the effectiveness of the Registration Statement, suspending the registration or qualification of the Notes, nor has any of such authorities instituted or, to the knowledge of the Company, threatened to institute, any proceedings with respect to a Stop Order.

(xxii) Except as disclosed in the Prospectus, there is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, or any arbitrator or arbitration panel, now pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary which might result in any material adverse change in the financial condition, affairs, business, prospects, net worth or results of operations of the Company and the Subsidiaries considered as a whole, or which might materially and adversely affect their properties or assets; and there is no decree, judgment or order of any kind in existence against or restraining the Company or any Subsidiary, or any of the officers, employees or directors of either, from taking any actions of any kind in connection with the business of the Company or any Subsidiary.

(xxiii) The Company and each of its Subsidiaries owns or possesses or has obtained all material governmental licenses, permits, consents, orders, approvals and other authorizations necessary to lease or own, as the case may be, and to operate its properties and to carry on its business as presently conducted, and the Company has not received any notice of proceedings related to revocation or modification of any such licenses, permits, consents, orders, approvals or authorizations which singly or in the aggregate, if the subject of an unfavorable ruling or finding, would have a materially adverse effect on the financial condition, affairs, business or prospects of the Company and the Subsidiaries considered as a whole.

(xxiv) The Company is and each of its Subsidiaries is in compliance with all applicable federal, state and local laws and regulations that regulate or are concerned in any way with the business of the Company or its Subsidiaries, where the effect of the failure to comply would be materially adverse to the financial condition, affairs, business or prospects of the Company and the Subsidiaries considered as a whole.

(xxv) The Company and the Subsidiaries own or possess, or can acquire on reasonable terms, trademarks, service marks and trade names necessary to conduct the businesses now operated by them, and neither the Company nor any Subsidiary has received any notice of infringement of or conflict with asserted rights of others with respect to any trademarks, service marks or trade names which, singly or in the aggregate, if the subject of any unfavorable decision, ruling or finding, would materially adversely effect the financial condition, affairs, business or prospects of the Company and the Subsidiaries considered as a whole.

(xxvi) The Company and each of its Subsidiaries has filed all necessary federal and state income and franchise tax returns and paid all taxes shown as due thereon. Except as is otherwise expressly stated in the Registration Statement, the Company has no knowledge of any tax deficiency which might be asserted against it which would have a material adverse effect on the financial condition, affairs, business or prospects of the Company and the Subsidiaries considered as a whole.

(xxvii) The Company is not and does not intend to conduct businesses in a manner which would cause it to be an "investment company" as defined in Section 3(a) of the Investment Company Act of 1940, as amended (the "Investment Company Act").

(xxviii) To the best of the Company's knowledge, there are no affiliations between (i) any of the Company's officers, directors or 5% or greater security holders, and (ii) any Underwriter or NASD-registered broker or dealer except as set forth in the Registration Statement or as otherwise disclosed in writing to the Underwriters.

(xxix) The Notes have been duly authorized for listing by the New York Stock Exchange upon official notice of issuance.

(xxx) The Company has not distributed and will not distribute any prospectus or other offering material in connection with the offering and sale of the Notes other than any Preliminary Prospectus or the Prospectus or other materials permitted by the Act to be distributed by the Company.

(xxxi) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

7. INDEMNIFICATION AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise (including in settlement of any litigation if such settlement is effected with the written consent of the Company), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon a untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including the information deemed to be a part of the Registration Statement at the time of effectiveness pursuant to Rules 430A and 434(d) under the Act, if applicable, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto (including any term sheet within the meaning of Rule 434 under the Act), or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other out-of-pocket expenses reasonably incurred by it in connection with investigating or defending against such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by any Underwriter specifically for use in the preparation thereof.

In addition to their other obligations under this Section 6(a), the Company agrees that, as an interim measure during the pendency of any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in this Section 6(a), they will reimburse each Underwriter on a monthly basis for all reasonable legal fees or other out-of-pocket expenses incurred in connection with investigating or defending any such claim,

action, investigation, inquiry or other proceeding, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the Company's obligation to reimburse the Underwriters for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement payment is so held to have been improper, the Underwriter that received such payment shall promptly return it to the party or parties that made such payment, together with interest, compounded daily, determined on the basis of the prime rate (or other commercial lending rate for borrowers of the highest credit standing) announced from time to time by Norwest Bank Minnesota, National Association (the "Prime Rate"). Any such interim reimbursement payments which are not made to an Underwriter within 30 days of a request for reimbursement shall bear interest at the Prime Rate from the date of such request. This indemnity agreement shall be in addition to any liabilities which the Company may otherwise have.

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, or an amendment or supplement thereto (including any term sheet within the meaning of Rule 434 under the Act, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by any Underwriter specifically for use in the preparation thereof, and will reimburse the Company for any legal or other out-of-pocket expenses reasonably incurred by the Company in connection with investigating or defending against any such loss, claim, damage, liability or action.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement

thereof; provided, however, that the failure so to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have under this Section 7 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 7. In case any such action shall be brought against any indemnified party, and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of the indemnifying party's election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal or other out-of-pocket expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that if, in the sole judgment of the Underwriters, it is advisable for the Underwriters to be represented as a group by separate counsel, the Underwriters shall have the right to employ a single counsel to represent themselves, in which event the reasonable fees and expenses of such separate counsel shall be borne by the indemnifying party or parties and reimbursed to the Underwriters as incurred (in accordance with the provisions of the second paragraph in subsection (a) above). An indemnifying party shall not be obligated under any settlement agreement relating to any action under this Section 7 to which it has not agreed in writing.

(d) If the indemnification provided for in this Section 7 is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear

to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault 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 the Company or the Underwriters and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were to be determined by PRO RATA allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the first sentence of this subsection (d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other out-of-pocket expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Notes underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement of omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 7 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 7 shall be in addition to any liability that the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each director of the Company (including any person who, with his consent, is named in the Registration Statement as about to become a director of the Company), to each officer of the Company has signed the Registration Statement and to each person, if any, who controls the Company within the meaning of the Act.

8. CONDITIONS OF THE UNDERWRITERS' OBLIGATIONS. The several obligations of the Underwriters to purchase the Firm Notes hereunder are subject to the following conditions:

(a) That the Registration Statement shall have become effective not later than 4:00 p.m., _____ time, on the date hereof, or at such later date and time as shall be consented to in writing by the Underwriters, and, if the Underwriters and the Company have elected to rely upon Rule 430A under the Act, the price of the Notes and any price-related or other information previously omitted from the Registration Statement pursuant to such Rule 430A under the Act shall have been transmitted to the Commission for filing pursuant to Rule 424 (b) within the prescribed time period, and on or prior to the Closing Date, the Company shall have provided evidence satisfactory to the Underwriters of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective in accordance with the requirements of Rule 430A.

(b) That subsequent to the effective date of the Registration Statement, (i) there shall not have occurred any change, or any material development involving a prospective change, in or affecting particularly the business or properties of the Company not contemplated by the Prospectus, which, in the Underwriters' opinion would materially adversely affect the market for the Notes or make it impracticable or inadvisable to proceed with the offering or the delivery of the Notes, as contemplated herein and in the Prospectus, or to attempt to enforce contracts for the purchase of the Notes, and (ii) the business and operations of the Company and the Subsidiaries shall not have been materially interfered with by strike, fire, flood, accident or other calamity (whether or not insured).

(c) That the Underwriters shall have received from Troy & Gould Professional Corporation, counsel for the Company, a favorable opinion dated the Closing Date and satisfactory to the Underwriters and the Underwriters' counsel to the effect that:

(i) Each of the Company and each Subsidiary has been duly organized and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; each has all requisite corporate power and corporate authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and the Prospectus. Each of the Subsidiaries is wholly-owned by the Company and the Subsidiaries are the Company's only subsidiaries.

(ii) The Company has an authorized capitalization as set forth in the Prospectus. Each outstanding share of capital

stock of the Company and each outstanding share of capital stock of any Subsidiary is duly authorized, validly issued, fully paid and non-assessable, has not been issued and is not owned or held in violation of any preemptive right of shareholders. Each outstanding share of capital stock of a Subsidiary is owned of record and, to such counsel's knowledge, beneficially by the Company and, except as disclosed in the Registration Statement, to the knowledge of such counsel, is held free and clear of all liens, claims, security interests, pledges, charges, encumbrances, shareholders' agreements, voting trusts or claims of others. Except as set forth in the Prospectus, neither the Board of Directors of the Company nor any committee thereof has authorized or entered into any commitment or arrangement to issue, and neither the Board of Directors nor any committee thereof has authorized the issuance of any outstanding option, warrant or other right calling for the issuance or sale of, any share of capital stock of the Company or of any Subsidiary or any security or other instrument which by its terms is convertible into, exercisable for or exchangeable for capital stock of the Company or of any Subsidiary. Neither the Board of Directors nor any committee thereof of any Subsidiary has authorized any options, agreements, contracts or other rights in existence to purchase or acquire from the Company or any Subsidiary any issued and outstanding shares of the capital stock of the Company or any Subsidiary.

(iii) This Agreement has been duly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting the rights of creditors, and by equitable principles, except that such counsel need express no opinion as to the enforceability of the indemnity and contribution provisions contained in Section 7 of this Agreement.

(iv) The Notes have been duly and validly authorized, executed and delivered by the Company and when delivered and paid for pursuant hereto will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture, enforceable against the Company in accordance with their terms, except (i) as enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting the rights of creditors, and by equitable principles, and (ii) (a) the waiver contained in Section 514 of the Indenture may be deemed unenforceable and (b) the indemnification provisions contained in Section 607 of the Indenture may be deemed unenforceable. The Notes conform in all material respects to the description thereof in the Prospectus. For purposes of this opinion, such counsel

shall be entitled to assume that New York law is the same as California law.

(v) The Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, except (i) as enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting the rights of creditors, and by equitable principles, and (ii) (a) the waiver contained in Section 514 of the Indenture may be deemed unenforceable and (b) the indemnification provisions contained in Section 607 of the Indenture may be deemed unenforceable. The Indenture conforms in all material respects to the description thereof in the Prospectus and has been duly qualified under the Trust Indenture Act. For purposes of this opinion, such counsel shall be entitled to assume that New York law is the same as California law.

(vi) No authorization, approval or consent of any governmental authority is required for the execution, delivery, or performance by the Company of this Agreement, or for the issuance, sale, or delivery of the Notes, except such as have been received or as may be required under the Act, the Trust Indenture Act or the rules and regulations of the Commission thereunder or state securities laws.

(vii) The issuance and sale of the Notes, the execution, delivery, and performance of this Agreement and the Indenture by the Company and the consummation of the transactions contemplated hereby and thereby will not violate, conflict with or result in a breach of any of the provisions of, or constitute a default under (A) the Company's Articles of Incorporation or by-laws, (B) any indenture, mortgage, deed of trust or other instrument or agreement known to such counsel to which the Company or a Subsidiary is a party or by which the Company or a Subsidiary is bound or to which any of their properties is subject or (C) any order known to such counsel, rule or regulation applicable to the Company or a Subsidiary of any court or other governmental authority.

(viii) The Registration Statement has become effective under the Act, and, to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued, nor has any proceeding for the issuance of such an order been initiated or, to the knowledge of such counsel, threatened.

(ix) The Registration Statement and the Prospectus and any supplements or amendments thereto comply in all material respects as to form with the requirements of the Act, the Trust Indenture Act and the rules and regulations of the Commission

thereunder, except in each case as to the financial statements, schedules, financial information, statistical data, pro forma and other financial data included or incorporated by reference in the Registration Statement or the exhibits to the Registration Statement, including the Form T-1, as to which such counsel need not express any opinion.

In addition, such counsel shall state that such counsel has participated in conferences with representatives of the Company, the Company's auditors, the Underwriters and counsel for the Underwriters at which conferences the contents of the Registration Statement, the Prospectus and each preliminary prospectus and related matters were discussed, and although such counsel need not pass upon and need not assume any responsibilities for the accuracy, completeness, or fairness of the statements contained in the Registration Statement or Prospectus and have not made any independent check or verification thereof, on the basis of the foregoing (relying as to materiality on the statements of officers and other representatives of the Company), nothing has come to the attention of such counsel that causes such counsel to believe that the Registration Statement, at the time it became effective and at the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, at the date thereof and at the Closing Date, contained or contains any untrue statement of any material fact or omitted or omits to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except in each case as to the financial statements, schedules, financial information, statistical data, pro forma and other financial data included or incorporated by reference in the Registration Statement or the exhibits to the Registration Statement, including the Form T-1, as to which such counsel need not express any opinion.

(x) The statements in the Prospectus in the sections captioned "Risk Factors -- Subordination of the Notes and Encumbrances on the Company's Assets," "-- Restrictions Imposed by the Terms of the Company's Indebtedness," "--Potential for Additional Senior Indebtedness," "-- Ability to Repay Notes Upon Accelerated Redemption," "-- Limited Covenants in the Indenture," "--Litigation," "-- Contractual Recourse by Purchasers of Contracts, and "--Government Regulation; "Description of the Notes," "Description of Common Stock," "Business--Government Regulation" and "Certain Transactions" included in the Prospectus, insofar as such statements constitute a summary of the documents referred to therein or matters of law, are accurate summaries and fairly and correctly present the information called for with respect to such documents and matters.

(xi) Such counsel does not know of (A) any pending or threatened litigation which would prevent the consummation of the transactions contemplated by this Agreement or the Indenture, (B) any statutes or regulations or provisions of the laws of the State of California or any pending or threatened litigation or governmental proceedings against the Company or any Subsidiary required to be described in the Prospectus which are not so described, or (C) any contracts or documents required to be described in or filed as a part of the Registration Statement which are not so described or filed.

(xii) The Company is not an "investment company" or a person "controlled by" an "investment company" within the meaning of the Investment Company Act.

In rendering such opinions, such counsel may rely as to matters of fact, to the extent they deem proper on certificates of responsible officers of the Company and the Subsidiaries and on certificates of public officials.

(d) That the Underwriters shall have received on the Closing Date a favorable opinion dated the Closing Date from Orrick, Herrington & Sutcliffe LLP, counsel for the Underwriters, as to such matters as the Underwriters may reasonably require.

(e) That the Underwriters shall have received letters addressed to the Underwriters and dated the date hereof and the Closing Date and the Option Closing Date, as the case may be, from KPMG Peat Marwick LLP, independent public accountants for the Company, substantially in the forms heretofore approved by the Underwriters and counsel for the Underwriters.

(f) That (i) no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company, shall be contemplated by the Commission at or prior to the Closing Date; (ii) there shall not have been any change in the capital stock of the Company or any Subsidiary nor any material increase in the short or long-term debt of the Company and its Subsidiaries taken as a whole from that set forth or contemplated in the Registration Statement and Prospectus; (iii) the Company and its Subsidiaries shall not have incurred any material liabilities or obligations, direct or contingent (whether or not in the ordinary course of business), other than those reflected in or contemplated by the Registration Statement and Prospectus; and (iv) all of the representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects on and as of the date hereof and on and as of the Closing Date as if made on and as of each such date, and the Underwriters shall have received a certificate, dated the Closing

Date and in form and substance reasonably satisfactory to the Underwriters signed by the President or a Vice President and the Secretary of the Company (or such other officers as are acceptable to the Underwriters) to the effect set forth in this Section 8(f) and in Section 8(h) hereof.

(g) The Notes shall have been qualified for sale or exempted from such qualification under the securities laws of such jurisdictions as the Underwriters shall have designated prior to the time of execution of this Agreement and such qualification or exemption shall continue in effect to and including the Closing Date.

(h) That the Company shall not have failed at or prior to the Closing Date to have performed or complied in all material respects with any of the agreements herein contained and required to be performed or complied with by it at or prior to the Closing Date.

(i) That the Notes shall not have received from Duff Phelps Credit Rating Co. a credit rating lower than ____.

The several obligations of the Underwriters to purchase Option Notes hereunder are subject to the satisfaction on and as of the Option Closing Date of the conditions set forth in paragraphs(a) through (i); except that the opinions called for in paragraphs (c) and (d) shall be revised to reflect the sale of Option Notes and shall be dated the Option Closing Date, if different from the Closing Date.

9. EFFECTIVE DATE OF AGREEMENT.

(a) If the Registration Statement has not yet been declared effective, this Agreement shall become effective contemporaneously with the effectiveness of the Registration Statement. Until such time as this Agreement shall have become effective, it may be terminated by the Company by notifying the Underwriters, or by the Underwriters by notifying the Company.

(b) If any Underwriter shall fail or refuse to purchase Firm Notes which it has agreed to purchase under this Agreement and the aggregate principal amount of Firm Notes which such defaulting Underwriter agreed but failed or refused to purchase is not more than one-tenth of the aggregate principal amount of Firm Notes, the other Underwriters shall be obligated, PRO RATA to purchase the Firm Notes which the defaulting Underwriter agreed but failed or refused to purchase. If any Underwriter shall fail or refuse to purchase Firm Notes and the aggregate principal amount of Firm Notes with respect to which such default occurs is more than one-tenth of the aggregate principal amount of Firm Notes and arrangements satisfactory to the non-defaulting Underwriters and

the Company for the purchase of such Firm Notes are not made within 36 hours after such default, this Agreement will terminate without liability on the part of the non-defaulting Underwriters or the Company. In any such case which does not result in termination of this Agreement, either the non-defaulting Underwriters or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and the Prospectus or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of its default under this Agreement.

(c) Any notice under this Section 9 may be made by telecopy or telephone but shall be subsequently confirmed by letter.

10. TERMINATION OF AGREEMENT. The Underwriters shall have the right to terminate this Agreement at any time prior to the Closing Date (and with respect to the Option Notes, the Option Closing Date) by notice to the Company from the Underwriters, without liability (other than with respect to Section 7) on the Underwriters' part to the Company if, on or prior to such date, (i) the Company shall have failed, refused or been unable to perform in any material respect any agreement on its part to be performed hereunder, (ii) any other condition to the obligations of the Underwriters hereunder as provided in Section 8 is not fulfilled when and as required in any material respect, (iii) trading in securities generally on the New York Stock Exchange, the American Stock Exchange or the NASD Automated Quotation System shall have been suspended or materially limited, or minimum prices shall have been established on such exchange or system by the Commission, or by such exchange or system or other regulatory body or governmental authority having jurisdiction, (iv) a general banking moratorium shall have been declared by Federal, California or New York State authorities, (v) there is an outbreak or material escalation of armed hostilities involving the United States on or after the date hereof, or there has been a declaration by the United States of a national emergency or war, the effect of which shall be, in the Underwriters' reasonable judgment, to make it inadvisable or impracticable to proceed with the public offering or delivery of the Notes on the terms and in the manner contemplated in the Prospectus as supplemented or amended prior to the occurrence of such event, (vi) in the Underwriters' reasonable opinion any material adverse change shall have occurred since the respective dates as of which information is given in the Registration Statement or the Prospectus (as supplemented or amended prior to the occurrence of such event) in the condition (financial or other) of the Company whether or not arising in the ordinary course of business other than as set forth in the Prospectus as supplemented or amended prior to the occurrence of such event, or (vii) there

shall have been such a material adverse change in general economic, political or financial conditions or if the effect of international conditions on the financial markets in the United States shall be such as, in the Underwriters' reasonable opinion, makes it inadvisable or impracticable to proceed with the delivery of the Notes as contemplated hereby. Notice of such cancellation shall be given to the Company by telecopy or telephone but shall be subsequently confirmed by letter.

11. MISCELLANEOUS.

(a) Except as otherwise provided in Sections 9 and 10 hereof, notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be delivered (i) if to the Company, at the office of the Company at 2 Ada Street, Irvine, California 92618, Attention: President and Chief Executive Officer, with a copy to William J. Feis, Esq., Troy & Gould a Professional Corporation, 1801 Century Park East, Suite 1600, Los Angeles, California 90067, or (ii) if to the Underwriters, at the offices of Piper Jaffray Inc., Piper Jaffray Tower, 222 South Ninth Street, Minneapolis, Minnesota 55402, Attention: Corporate Finance Department, with a copy to David S. Katz, Esq., Orrick, Herrington & Sutcliffe LLP, Washington Harbour, 3050 K Street, NW, Washington, D.C. 20007, or in any case to such other address as the person to be notified may have requested in writing.

(b) This Agreement is made solely for the benefit of the several Underwriters, the Company, their directors and officers and other controlling persons referred to in Section 7 hereof, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" as used in this Agreement shall not include a purchaser from any of the several Underwriters of any of the Notes in his status as such purchaser.

12. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

13. COUNTERPARTS. This Agreement may be signed in various counterparts which together shall constitute one and the same instrument.

Please confirm that the foregoing correctly sets forth the agreement among the Company and the Underwriters.

Very truly yours,

CONSUMER PORTFOLIO SERVICES, INC.

By: _____
Name:
Title:

Accepted and delivered as of the date first written above

PIPER JAFFRAY INC.
LEGG MASON WOOD WALKER, INC.
DAIN BOSWORTH, INC.
By: PIPER JAFFRAY INC.

By: _____
Name:
Title:

CONSUMER PORTFOLIO SERVICES, INC.

SCHEDULE I

UNDERWRITERS

Name -----	Principal Amount of Firm Notes -----
Piper Jaffray Inc.\$ -----
Legg Mason Wood Walker, Incorporated..\$ -----
Dain Bosworth Incorporated..\$ -----
TOTAL\$ ----- -----

Consumer Portfolio Services, Inc.
Statement Regarding Computation of Ratios
Exhibit 12

	Year Ended December 31,	Nine Month Transition Period Ended December 31,	Year Ended March 31,			
	1996 -----	1995 -----	1995 -----	1994 -----	1993 -----	1992 -----
Income (loss) before taxes	\$ 23,692,396	\$ 12,657,308	\$ 11,146,562	\$ (1,288,043)	\$ (1,502,272)	\$ (2,526,473)
Interest component of rent expense	154,531	99,861	115,710	118,358	148,361	114,466
Interest (1)	5,780,529	2,724,403	3,407,598	446,402	25,609	46,943
Income (loss) before taxes and fixed charges	29,627,456	15,481,572	14,669,870	(723,283)	(1,328,302)	(2,365,064)
Fixed charges:						
Interest component of rent expense	154,331	99,861	115,710	118,358	148,361	114,466
Interest	4,780,529	2,724,403	3,407,598	446,402	25,609	46,943
Fixed charges	5,934,860	2,824,264	3,523,308	564,760	173,970	161,409
Ratio of income (loss) to fixed charges	5.0	5.5	4.2	(1.3)	(7.6)	(14.7)
Coverage deficiency	--	--	--	(1,288,043)	(1,502,272)	(2,526,473)

(1) Includes amortization of financing costs and discount on subordinated debt.

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Consumer Portfolio Services, Inc.

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the prospectus.

KPMG PEAT MARWICK LLP

Orange County, California
March 3, 1997

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

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT
TO SECTION 305(b)(2) _____

BANKERS TRUST COMPANY

(Exact name of trustee as specified in its charter)

NEW YORK
(Jurisdiction of Incorporation or
organization if not a U.S. national bank) 13-4941247
(I.R.S. Employer
Identification no.)

FOUR ALBANY STREET
NEW YORK, NEW YORK 10006
(Address of principal
executive offices) (Zip Code)

BANKERS TRUST COMPANY
LEGAL DEPARTMENT
130 LIBERTY STREET, 31st FLOOR
NEW YORK, NEW YORK 10006
(212) 250-2201

(Name, address and telephone number of agent for service)

CONSUMER PORTFOLIO SERVICES, INC.

(Exact name of obligor as specified in its charter)

CALIFORNIA 33-0459135
(State or other jurisdiction of
Incorporation or organization) (I.R.S. employer
Identification no.)

2 ADA
IRVINE, CALIFORNIA 92618
(Address of principal executive offices) (Zip Code)

PARTICIPATING EQUITY NOTES DUE 2004
(Title of the indenture securities)

ITEM 1. GENERAL INFORMATION.
Furnish the following information as to the trustee.

ITEM 1. GENERAL INFORMATION.
Furnish the following information as to the trustee.

(a) Name and address of each examining or supervising authority to which it is subject.

NAME	ADDRESS
-----	-----
Federal Reserve Bank (2nd District)	New York, NY
Federal Deposit Insurance Corporation	Washington, D.C.
New York State Banking Department	Albany, NY

(b) Whether it is authorized to exercise corporate trust powers.
Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.
If the obligor is an affiliate of the Trustee, describe each such affiliation.

None.

ITEM 3.-15. NOT APPLICABLE

ITEM 16. LIST OF EXHIBITS.

- EXHIBIT 1 - Restated Organization Certificate of Bankers Trust Company dated August 7, 1990, Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated June 21, 1995 - Incorporated herein by reference to Exhibit 1 filed with Form T-1 Statement, Registration No. 33-65171, and Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated March 20, 1996, copy attached.
- EXHIBIT 2 - Certificate of Authority to commence business - Incorporated herein by reference to Exhibit 2 filed with Form T-1 Statement, Registration No. 33-21047.
- EXHIBIT 3 - Authorization of the Trustee to exercise corporate trust powers - Incorporated herein by reference to Exhibit 2 filed with Form T-1 Statement, Registration No. 33-21047.
- EXHIBIT 4 - Existing By-Laws of Bankers Trust Company, as amended on September 17, 1996 - Incorporated herein by reference to Exhibit 4 filed with Form T-1 Statement, Registration No. 333-15263.

- EXHIBIT 5 - Not applicable.
- EXHIBIT 6 - Consent of Bankers Trust Company required by Section 321(b) of the Act. - Incorporated herein by reference to Exhibit 4 filed with Form T-1 Statement, Registration No. 22-18864.
- EXHIBIT 7 - A copy of the latest report of condition of Bankers Trust Company dated as of December 31, 1996.
- EXHIBIT 8 - Not Applicable.
- EXHIBIT 9 - Not Applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Bankers Trust Company, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 28th day of February, 1997.

BANKERS TRUST COMPANY

By: Susan Johnson

Susan Johnson
Assistant Vice President

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Bankers Trust Company, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 28th day of February, 1997.

BANKERS TRUST COMPANY

By: Susan Johnson

Susan Johnson
Assistant Vice President

Legal Title of Bank: Bankers Trust Company Call Date: 12/31/96
 Address: 130 Liberty Street Vendor ID: D
 City, State ZIP: New York, NY 10006
 FDIC Certificate No.: 0 0 6 2 3

ST-BK: 36-4840 FFIEC 031
 CERT: 00623 Page RC-1
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CONSOLIDATED REPORT OF CONDITION FOR INSURED COMMERCIAL
 AND STATE-CHARTERED SAVINGS BANKS DECEMBER 31, 1996

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, reported the amount outstanding as of the last business day of the quarter.

SCHEDULE RC--BALANCE SHEET

Dollar Amounts in Thousands		RCFD	C400 Bil Mil Thou	
ASSETS				
1.	Cash and balances due from depository institutions (from Schedule RC-A):			
	a. Noninterest-bearing balances and currency and coin(1)	0081	1,545,000	1.a.
	b. Interest-bearing balances(2)	0071	2,494,000	1.b.
2.	Securities:			
	a. Held-to-maturity securities (from Schedule RC-B, column A)	1754	0	2.a.
	b. Available-for-sale securities (from Schedule RC-B, column D).....	1773	4,368,000	2.b.
3.	Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:			
	a. Federal funds sold	0276	3,651,000	3.a.
	b. Securities purchased under agreements to resell	0277	3,230,000	3.b.
4.	Loans and lease financing receivables:			
	a. Loans and leases, net of unearned income (from Schedule RC-C) RCFD 2122 27,239,000			4.a.
	b. LESS: Allowance for loan and lease losses.....RCFD 3123 917,000			4.b.
	c. LESS: Allocated transfer risk reserve	RCFD 3128	0	4.c.
	d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c).....	2125	28,889,000	4.d.
5.	Assets held in trading accounts	3545	38,272,000	5.
6.	Premises and fixed assets (including capitalized leases)	2145	914,000	6.
7.	Other real estate owned (from Schedule RC-M)	2150	213,000	7.
8.	Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)	2130	184,000	8.
9.	Customers' liability to this bank on acceptances outstanding	2155	597,000	9.
10.	Intangible assets (from Schedule RC-M)	2143	17,000	10.
11.	Other assets (from Schedule RC-F)	2160	6,056,000	11.
12.	Total assets (sum of items 1 through 11)	2170	90,430,000	12.

(1) Includes cash items in process of collection and unposted debits.
 (2) Includes time certificates of deposit not held in trading accounts.

Legal Title of Bank: Bankers Trust Company Call Date: 12/31/96
 Address: 130 Liberty Street Vendor ID: D
 City, State Zip: New York, NY 10006
 FDIC Certificate No.: 0 0 6 2 3

ST-BK: 36-4840 FFIEC 031
 CERT: 00623 Page RC-2
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SCHEDULE RC--CONTINUED

		Dollar Amounts in Thousands	Bil Mil Thou	
LIABILITIES				
13.	Deposits:			
a.	In domestic offices (sum of totals of columns A and C from Schedule RC-E, part I)	RCON 2200	11,985,000	13.a.
(1)	Noninterest-bearing(1)	RCON 6631 2,734,000		13.a.(1)
(2)	Interest-bearing	RCON 6636 6,657,000		13.a.(2)
b.	In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E part II)	RCFN 2200	21,619,000	13.b.
(1)	Noninterest-bearing	RCFN 6631 654,000		13.b.(1)
(2)	Interest-bearing	RCFN 6636 22,731,000		13.b.(2)
14.	Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:			
a.	Federal funds purchased	RCFD 0278	6,560,000	14.a.
b.	Securities sold under agreements to repurchase	RCFD 0279	120,000	14.b.
15.	a. Demand notes issued to the U.S. Treasury	RCON 2840	0	15.a.
	b. Trading liabilities	RCFD 3548	19,172,000	15.b.
16.	Other borrowed money:			
a.	With original maturity of one year or less	RCFD 2332	15,909,000	16.a.
b.	With original maturity of more than one year	RCFD 2333	3,097,000	16.b.
17.	Mortgage indebtedness and obligations under capitalized leases	RCFD 2910	31,000	17.
18.	Bank's liability on acceptances executed and outstanding	RCFD 2920	597,000	18.
19.	Subordinated notes and debentures	RCFD 3200	1,229,000	19.
20.	Other liabilities (from Schedule RC-G)	RCFD 2930	5,235,000	20.
21.	Total liabilities (sum of items 13 through 20)	RCFD 2948	85,554,000	21.
22.	Limited-life preferred stock and related surplus	RCFD 3282	0	22.
EQUITY CAPITAL				
23.	Perpetual preferred stock and related surplus	RCFD 3838	600,000	23.
24.	Common stock	RCFD 3230	1,001,000	24.
25.	Surplus (exclude all surplus related to preferred stock)	RCFD 3839	540,000	25.
26.	a. Undivided profits and capital reserves	RCFD 3632	3,131,000	26.a.
	b. Net unrealized holding gains (losses) on available-for-sale securities	RCFD 8434	(14,000)	26.b.
27.	Cumulative foreign currency translation adjustments	RCFD 3284	(382,000)	27.
28.	Total equity capital (sum of items 23 through 27)	RCFD 3210	4,876,000	28.
29.	Total liabilities, limited-life preferred stock, and equity capital (sum of items 21, 22, and 28)	RCFD 3300	90,430,000	29.

Memorandum

To be reported only with the March Report of Condition.

- Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1995.

Number	

	RCFD 6724 N/A M.1

- Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank
- Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)
- Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)
- Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)
- Review of the bank's financial statements by external auditors
- Compilation of the bank's financial statements by external auditors
- Other audit procedures (excluding tax preparation work)
- No external audit work

(1) Including total demand deposits and noninterest-bearing time and savings deposits.

State of New York,

Banking Department

I, PETER M. PHILBIN, Deputy Superintendent of Bank of the State of New York, DO HEREBY APPROVE the annexed Certificate entitled "CERTIFICATE OF AMENDMENT OF THE ORGANIZATION CERTIFICATE OF BANKERS TRUST COMPANY UNDER SECTION 8005 OF THE BANKING LAW," dated March 20, 1996, providing for an increase in authorized capital stock from \$1,351,666,670 consisting of 85,166,667 shares with a par value of \$10 each designated as Common Stock and 500 shares with a par value of \$1,000,000 each designated as Series Preferred Stock to \$1,501,666,670 consisting of 100,166,667 shares with a par value of \$10 each designated as Common Stock and 500 shares with a par value of \$1,000,000 each designated as Series Preferred Stock.

WITNESS, MY HAND AND OFFICIAL SEAL OF THE BANKING DEPARTMENT AT THE CITY OF NEW YORK,

THIS 21st DAY OF MARCH IN THE YEAR OF OUR LORD
ONE THOUSAND NINE HUNDRED AND NINETY-SIX.

Peter M. Philbin

DEPUTY SUPERINTENDENT OF BANKS

CERTIFICATE OF AMENDMENT
OF THE
ORGANIZATION CERTIFICATE
OF BANKERS TRUST

Under Section 8005 of the Banking Law

We, James T. Byrne, Jr. and Lea Lahtinen, being respectively a Managing Director and an Assistant Secretary of Bankers Trust Company, do hereby certify:

1. The name of the corporation is Bankers Trust Company.

2. The organization certificate of said corporation was filed by the Superintendent of Banks on the 5th of march, 1903.

3. The organization certificate as heretofore amended is hereby amended to increase the aggregate number of shares which the corporation shall have authority to issue and to increase the amount of its authorized capital stock in conformity therewith.

4. Article III of the organization certificate with reference to the authorized capital stock, the number of shares into which the capital stock shall be divided, the par value of the shares and the capital stock outstanding, which reads as follows:

"III. The amount of capital stock which the corporation is hereafter to have is One Billion, Three Hundred Fifty One Million, Six Hundred Sixty-Six Thousand, Six Hundred Seventy Dollars (\$1,351,666,670), divided into Eighty-Five Million, One Hundred Sixty-Six Thousand, Six Hundred Sixty-Seven (85,166,667) shares with a par value of \$10 each designated as Common Stock and 500 shares with a par value of One Million Dollars (\$1,000,000) each designated as Series Preferred Stock."

is hereby amended to read as follows:

"III. The amount of capital stock which the corporation is hereafter to have is One Billion, Five Hundred One Million, Six Hundred Sixty-Six Thousand, Six Hundred Seventy Dollars (\$1,501,666,670), divided into One Hundred Million, One Hundred Sixty Six Thousand, Six Hundred Sixty-Seven (100,166,667) shares with a par value of \$10 each designated as Common Stock and 500 shares with a par value of One Million Dollars (\$1,000,000) each designated as Series Preferred Stock."

6. The foregoing amendment of the organization certificate was authorized by unanimous written consent signed by the holder of all outstanding shares entitled to vote thereon.

IN WITNESS WHEREOF, we have made and subscribed this certificate this 20th day of March __, 1996.

James T. Byrne, Jr.

James T. Byrne, Jr.
Managing Director

Lea Lahtinen

Lea Lahtinen
Assistant Secretary

State of New York)
) ss:
County of New York)

Lea Lahtinen, being fully sworn, deposes and says that she is an Assistant Secretary of Bankers Trust Company, the corporation described in the foregoing certificate; that she has read the foregoing certificate and knows the contents thereof, and that the statements herein contained are true.

Lea Lahtinen

Lea Lahtinen

Sworn to before me this 20th day
of March, 1996.

SANDRA L. WEST

Notary Public

SANDRA L. WEST
Notary Public State of New York
No. 31-4942101
Qualified in New York County
Commission Expires September 19, 1996

Counterpart filed in the
Office of the Superintendent of
Banks, State of New York,
This 21st day of March, 1996