As filed on January 7, 2005 Reg. No. 333-_____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CONSUMER PORTFOLIO SERVICES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA	33-0459135
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

	CHARLES BRADLEY, JR. CHIEF EXECUTIVE OFFICER
16355 LAGUNA CANYON ROAD IRVINE, CALIFORNIA 92618 (949) 450-3014	16355 LAGUNA CANYON ROAD IRVINE, CALIFORNIA 92618 (949) 450-3014
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	(Name, address, including zip code, and telephone number, including area code, of agent for service)

copies to:

PATRICK C. SARGENT ANDREWS KURTH LLP 1717 MAIN STREET, SUITE 3700 DALLAS, TEXAS 75201 (214) 659-4400	MICHAEL J. KOLAR OPPENHEIMER WOLFF & DONNELLY LLP 45 SOUTH SEVENTH STREET, SUITE 3300 MINNEAPOLIS, MINNESOTA 55402 (612) 607-7000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date. 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, check the following box.: [x]

If the registrant elects to deliver its latest annual report to security holders, or a complete and legal facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box. [x]

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(c) 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 this Form is a post-effective amendment filed pursuant to Rule 462(d) 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 Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Renewable Unsecured Subordinated Notes	100,000,000	(1)	$ 100,000,000	$ 11,770.00

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(1) The Renewable Unsecured Subordinated Notes will be issued in denominations selected by the purchasers in any amount equal to or exceeding $1,000.

The Registrant hereby amends this Registration Statement on such date

or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION; DATED JANUARY 7, 2005

$100,000,000

CONSUMER PORTFOLIO SERVICES, INC.

THREE AND SIX MONTH RENEWABLE UNSECURED SUBORDINATED NOTES

ONE, TWO, THREE, FOUR, FIVE AND TEN YEAR RENEWABLE UNSECURED SUBORDINATED NOTES

We are offering an aggregate principal amount of up to $100,000,000 of our renewable unsecured subordinated notes. We may offer the notes from time to time with maturities ranging from three months to ten years. However, depending on our capital needs, notes with certain terms may not always be available. We will establish interest rates on the securities offered in this prospectus from time to time in interest rate supplements to this prospectus. The notes are unsecured obligations and your right to payment is subordinated in right of payment to substantially all of our existing and future senior, secured, unsecured and subordinate indebtedness. Upon maturity, your notes will be automatically renewed for the same term as your maturing notes and at an interest rate that we are offering at that time to other investors with similar aggregate note portfolios for notes of the same term, unless we or you elect not to have your notes renewed. If notes of the same term are not then being offered, the interest rate upon renewal will be the rate specified by us on or before maturity or, if no such rate is specified, the rate of the existing note. The interest rate on your renewed note may differ from the interest rate applicable to your note during the prior term. After giving you thirty days' advance notice, we may redeem all or a portion of your notes for their original principal amount plus accrued and unpaid interest. You also may request us to repurchase your notes prior to maturity; however, unless the request is due to your death or disability, we may decline your request or, if we elect to repurchase your notes, we will charge you a penalty of up to three months' interest on notes with three month maturities and up to six months' interest on all other notes. Our obligation to repurchase notes for any reason is limited in any single calendar quarter to the greater of (a) $1 million or (b) 2% of the aggregate principal amount of all notes outstanding at the end of the previous quarter.

The notes will be marketed and sold through Sumner Harrington Ltd., which is acting as our selling agent for the notes. The notes will not be listed on any securities exchange or quoted on Nasdaq or any over-the-counter market. Sumner Harrington Ltd. does not intend to make a market in the notes and we do not anticipate that a market in the notes will develop. There will be significant restrictions on your ability to transfer or resell the notes. Sumner Harrington Ltd. also will act as our servicing agent in connection with our ongoing administrative responsibilities for the notes. We have not requested a rating for the notes; however, third parties may independently rate them.

THE NOTES ARE NOT CERTIFICATES OF DEPOSIT OR SIMILAR OBLIGATIONS OF, AND ARE NOT GUARANTEED OR INSURED BY, ANY DEPOSITORY INSTITUTION, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE SECURITIES INVESTOR PROTECTION CORPORATION OR ANY OTHER GOVERNMENTAL OR PRIVATE FUND OR ENTITY. INVESTING IN THE NOTES INVOLVES RISKS, WHICH ARE DESCRIBED IN "RISK FACTORS" BEGINNING ON PAGE 6 OF THIS PROSPECTUS.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER NOTE	TOTAL
Public offering price	100.00%	100.00%
Selling agent commissions	3.00%	3.00%
Proceeds to CPS, before expenses	97.00%	97.00%

The selling agent will not receive the entire 3.0% gross commission on notes with terms of less than three years unless the notes are successively renewed for a total term of three years. See "Plan of Distribution" for a description of additional compensation payable to the selling agent and its affiliates in connection with services rendered in offering and selling the notes, serving as the servicing agent and providing and managing the advertising and marketing functions related to the sale of the notes. There will be no underwriting discount.

Sumner Harrington Ltd. is not required to sell any specific number or dollar amount of notes but will use its best efforts to sell the notes offered.

We will issue the notes in book-entry or uncertificated form. Subject to certain limited exceptions, purchasers will not receive a certificated security or a negotiable instrument that evidences their notes. Sumner

Harrington Ltd. will deliver written confirmations to purchasers of the notes. Wells Fargo Bank National Association, Minneapolis, Minnesota, will act as trustee for the notes.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

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SUMNER HARRINGTON LTD.

The date of this Prospectus is January [__], 2005

TABLE OF CONTENTS

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION FROM THIS PROSPECTUS AND MAY NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ THE ENTIRE PROSPECTUS AND THE OTHER INFORMATION THAT IS INCORPORATED BY REFERENCE INTO THIS PROSPECTUS BEFORE MAKING AN INVESTMENT DECISION. CERTAIN INDUSTRY TERMS THAT WE USE ARE DEFINED IN THE GLOSSARY, WHICH BEGINS ON PAGE 37. EXCEPT WITH RESPECT TO PAYMENT OBLIGATIONS UNDER THE NOTES, WHICH SHALL BE THE SOLE OBLIGATION OF CONSUMER PORTFOLIO SERVICES, INC. ("CPS"), THE WORDS "WE," "OUR" AND "US" REFER TO CPS AND ITS DIRECT AND INDIRECT SUBSIDIARIES UNLESS WE INDICATE OTHERWISE.

CPS

We are a specialized consumer finance company engaged in purchasing, securitizing and servicing motor vehicle retail installment contracts originated by franchised and select independent automobile dealerships in the United States. We focus our efforts on acquiring contracts that are secured by late model used and, to a lesser extent, new automobiles entered into with purchasers with sub-prime credit. Such purchasers generally have limited credit history, lower than average income or past credit problems, and generally would not be expected to qualify for traditional financing, such as that provided by commercial banks or automobile manufacturers' captive finance companies.

We started purchasing, originating and servicing motor vehicle contracts in October 1991. Through September 30, 2004, we have purchased approximately $5.25 billion of motor vehicle contracts from dealers.

In 2002 and 2003, we also obtained a total of approximately $530 million of motor vehicle contracts in our acquisition by merger of MFN Financial Corporation and its subsidiaries in March 2002 and TFC Enterprises, Inc. and its subsidiaries in May 2003. Both of the acquired companies were engaged in businesses similar to ours. MFN ceased to purchase motor vehicle contracts shortly after we acquired it; TFC continues to purchase motor vehicle contracts as our subsidiary. Additionally, in April 2004, we purchased approximately $72.3 millionof motor vehicle contracts, gross of discount, then held by SeaWest Financial Corporation and were appointed the servicer of approximately $111.8 million of motor vehicle contracts that SeaWest had previously securitized.

As of September 30, 2004, we had a total servicing portfolio, net of unearned interest on pre-computed installment contracts, of approximately $898.3 million, including the remaining outstanding balance of motor vehicle contracts acquired in the TFC and MFN acquisitions, acquired in the Seawest purchase and serviced under the SeaWest securitizations.

We purchase motor vehicle contracts with the intention of placing them into securitizations. Securitizations are transactions in which we sell a specified pool of contracts to a special purpose entity of ours, which in turn issues asset-backed securities to fund the purchase of the pool of contracts from us. Depending on the structure of the securitization, the transaction may be properly accounted for as a sale of the contracts or as a secured financing. Since September 2003, we have structured our securitization transactions to be reflected as secured financings for financial accounting purposes.

We were incorporated in California in 1991. Our principal executive offices are located at 16355 Laguna Canyon Road, Irvine, California 92618, and our telephone number is (949) 753-6800.

THE OFFERING

ISSUER	Consumer Portfolio Services, Inc.
TRUSTEE	Wells Fargo Bank, National Association
SELLING AND SERVICING AGENT	Sumner Harrington Ltd.
PAYING AGENT	Wells Fargo Bank, National Association
SECURITIES OFFERED	Renewable Unsecured Subordinated Notes. The notes represent our unsecured promise to repay principal at maturity and to pay interest during the term or at maturity. By purchasing a note, you are lending money to us.
METHOD OF PURCHASE	Prior to your purchase of notes, you will be required to complete a subscription agreement that will set forth the principal amount of your purchase, the term of the notes and certain other information regarding your ownership of the notes. The form of subscription agreement is filed as an exhibit to the registration statement of which this prospectus is a part. As our servicing agent, Sumner Harrington Ltd. will mail you written confirmation that your subscription has been accepted.
DENOMINATION	You may choose the denomination of the notes you purchase in any principal amount of $1,000 or more, including odd amounts.
OFFERING PRICE	100% of the principal amount per note.
RESCISSION RIGHT	You may rescind your investment within five business days of the postmark date of your purchase confirmation without incurring an early redemption penalty. In addition, if your subscription agreement is accepted by our servicing agent at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the Securities and Exchange Commission, but such post-effective amendment has not yet been declared effective, you will be able to rescind your investment subject to the conditions set forth in this prospectus. See "Description of the Notes -- Rescission Right" for additional information.
MATURITY	You may generally choose maturities for your notes of 3 or 6 months or 1, 2, 3, 4, 5 or 10 years; however, depending on our capital requirements, we may not sell notes of all maturities at all times.

INTEREST RATE	The interest rate of the notes will be established at the time you purchase them, or at the time of renewal, based upon the rates we are offering in our latest interest rate supplement to this prospectus, and will remain fixed throughout each term. We may offer higher rates of interest to investors with larger aggregate note portfolios, as set forth in the then current interest rate supplement.
INTEREST PAYMENT DATES	You may choose to receive interest payments monthly, quarterly, semiannually, annually or at maturity. If you choose to receive interest payments monthly, you may choose the day on which you will be paid. Subject to our approval, you may change the interest payment schedule or interest payment date once during each term of your notes.
PRINCIPAL PAYMENT	We will not pay principal over the term of the notes. We are obligated to pay the entire principal balance of the outstanding notes upon maturity.
PAYMENT METHOD	Principal and interest payments will be made by direct deposit to the account you designate in your subscription documents.
RENEWAL OR REDEMPTION AT MATURITY	Upon maturity, the notes will be automatically renewed for the same term at the interest rate we are offering at that time to other investors with similar aggregate note portfolios for notes of the same maturity, unless we notify you prior to the maturity date that we intend to repay the notes. You may also notify us within 15 days after the maturity date that you want your notes repaid. This 15 day period will be automatically extended if you would otherwise be required to make the repayment election at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the Securities and Exchange Commission, but such post-effective amendment has not yet been declared effective. If notes with similar terms are not being offered at the time of renewal, the interest rate upon renewal will be (a) the rate specified by us on or before the maturity date or (b) if no such rate is specified, the rate of your existing notes. The interest rate being offered upon renewal may, however, differ from the interest rate applicable to your notes during the prior term. See "Description of the Notes -- Renewal or Redemption on Maturity."
OPTIONAL REDEMPTION OR REPURCHASE	After giving you 30 days' prior notice, we may redeem some or all of your notes at a price equal to their original principal amount plus accrued but unpaid interest.

	You may request us to repurchase your notes prior to maturity; however, unless the request is due to your death or total permanent disability, we may, in our sole discretion, decline to repurchase your notes, and will, if we elect to repurchase your notes, charge you a penalty of up to three months of interest for notes with a three month maturity and up to six months of interest for all other notes. The total principal amount of notes that we will be required to repurchase prior to maturity, for any reason in any calendar quarter, will be limited to the greater of $1 million or 2% of the total principal amount of all notes outstanding at the end of the previous quarter. See "Description of Notes -- Redemption or Repurchase Prior To Stated Maturity."
CONSOLIDATION, MERGER OR SALE	Upon any consolidation, merger or sale of our company, we will either redeem all of the notes or our successor will be required to assume our obligations to pay principal and interest on the notes pursuant to the indenture for the notes. For a description of these provisions see "Description of the Notes - Consolidation, Merger or Sale."
RANKING; NO SECURITY	The notes: o are unsecured; o rank junior to our existing and future secured debt, including the debt of our special purpose entities; o rank junior to our existing and future senior unsecured debt, including debt we may incur under our existing and future credit facilities; and o rank junior to our existing and future subordinated debt, except for $15 million of outstanding unsecured subordinate debt, which ranks PARI PASSU with the notes, and offerings of additional renewable unsecured subordinated notes, all of which will rank PARI PASSU with the notes. As of September 30, 2004, we had approximately $583.5 million of debt outstanding that is senior to the notes, of which $477.9 million was issued by our consolidated special purpose entities. Including an additional $243.3 million of debt that does not appear on our consolidated financial statements (which is issued by our off-balance sheet special purpose entities), we had $826.8 million of debt outstanding that was senior to your notes. See "Capitalization."
RESTRICTIVE COVENANTS	The indenture governing the notes contains limited restrictive covenants. These covenants:

	o require us to maintain a positive net worth, which includes stockholders' equity and any debt that is subordinated to the notes; o prohibit us from paying dividends on our capital stock if there is an event of default with respect to the notes or if a payment of the dividend would result in an event of default; and o restrict us from entering into certain transactions with affiliates. The covenants set forth in the indenture are more fully described under "Description of Notes -- Restrictive Covenants." These covenants have significant exceptions. We do not plan to issue any debt that is subordinate to the notes.
USE OF PROCEEDS	If all the notes are sold, with original or aggregate maturities of three years or more, we would expect to receive approximately $96.8 million of net proceeds from this offering after deducting the selling agent's commissions and estimated offering expenses payable by us. We intend to use the net proceeds to fund the purchase of motor vehicle contracts and for other general corporate purposes, which may include the payment of general and administrative expenses. See "Use of Proceeds."
ABSENCE OF PUBLIC MARKET AND RESTRICTIONS ON TRANSFERS	There is no existing market for the notes. Sumner Harrington Ltd. has advised us that it does not intend to make a market in the notes after the completion of this offering and we do not anticipate that a secondary market for the notes will develop. We do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes in any automated dealer quotation system, including without limitation Nasdaq or any over-the-counter market. You will be able to transfer or pledge the notes only with our prior written consent. See "Description of the Notes - Transfers."
BOOK ENTRY	The notes will be issued in book entry or uncertificated form only. Except under limited circumstances, the notes will not be evidenced by certificated securities or negotiable instruments. See "Description of the Notes -- Book Entry Registration and Transfers."

RISK FACTORS

THE RISK FACTORS DISCUSSED BELOW, AS WELL AS ADDITIONAL FACTORS THAT MAY BE INCORPORATED BY REFERENCE FROM TIME TO TIME, COULD CAUSE OUR ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN ANY FORWARD-LOOKING STATEMENTS. SEE "FORWARD-LOOKING STATEMENTS." ALTHOUGH WE HAVE ATTEMPTED TO LIST COMPREHENSIVELY THESE IMPORTANT FACTORS, WE CAUTION YOU THAT OTHER FACTORS MAY IN THE FUTURE PROVE TO BE IMPORTANT IN AFFECTING OUR RESULTS OF OPERATIONS. NEW FACTORS EMERGE FROM TIME TO TIME AND IT IS NOT POSSIBLE FOR US TO PREDICT ALL OF THESE FACTORS, NOR CAN WE ASSESS THE IMPACT OF EACH SUCH FACTOR ON THE BUSINESS OR THE EXTENT TO WHICH ANY FACTOR, OR COMBINATION OF FACTORS, MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENT.

THE RISKS DESCRIBED BELOW SET FORTH THE MATERIAL RISKS ASSOCIATED WITH THE PURCHASE OF NOTES AND OUR COMPANY. BEFORE YOU INVEST IN THE NOTES, YOU SHOULD CAREFULLY CONSIDER THESE RISK FACTORS, AS WELL AS THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS AND IN THE DOCUMENTS INCORPORATED BY REFERENCE INTO THIS PROSPECTUS.

RISK FACTORS RELATING TO THE NOTES

THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS.

The notes may not be a suitable investment for you, and we advise you to consult your investment, tax and other professional financial advisors prior to purchasing notes. The characteristics of the notes, including maturity, interest rate and lack of liquidity, may not satisfy your investment objectives. The notes may not be a suitable investment for you based on your ability to withstand a loss of interest or principal or other aspects of your financial situation, including your income, net worth, financial needs, investment risk profile, return objectives, investment experience and other factors. Prior to purchasing any notes, you should consider your investment allocation with respect to the amount of your contemplated investment in the notes in relation to your other investment holdings and the diversity of those holdings.

YOU LACK PRIORITY IN PAYMENT ON THE NOTES, WHICH RANK JUNIOR TO SUBSTANTIALLY ALL OF OUR EXISTING AND FUTURE DEBT AND OTHER FINANCIAL OBLIGATIONS.

Your right to receive payments on the notes is junior to substantially all of our existing indebtedness and future borrowings (including debt of our special purpose entities). Your notes will be subordinated to the prior payment in full of all of our other debt obligations, other than $15 million of debt issued in 1995, as to which your notes will rank PARI PASSU. As of September 30, 2004, we had approximately $583.5 million of debt outstanding, including indebtedness held by our consolidated special purpose entities, which will rank senior to your notes. Including an additional $243.3 million of indebtedness issued by our off-balance sheet special purpose entities, we had $826.8 million of debt outstanding that was senior to your notes. We may also incur substantial additional indebtedness in the future that would also rank senior to your notes. Because of the subordination provisions of the notes, in the event of our bankruptcy, liquidation or dissolution, our assets would be available to make payments to you under the notes only after all payments had been made on all of our secured and unsecured indebtedness and other obligations that are senior to the notes. Sufficient assets may not remain after all such senior payments have been made to make any payments to you under the notes, including payments of interest when due or principal upon maturity.

THERE WILL BE NO TRADING MARKET FOR THE NOTES, WHICH MAY MAKE IT DIFFICULT TO TRANSFER YOUR NOTES.

Your ability to liquidate your investment is limited because of transfer restrictions, the lack of a trading market and the limitation on repurchase requests prior to maturity. Your notes may not be transferred without our prior written consent. In addition, there will be no trading market for the notes. Due to the restrictions on transfer of the notes and the lack of a market for the sale of the notes, even if we permitted a transfer, you might be unable to sell, pledge or otherwise liquidate your investment. Except in the case of death or total permanent disability, repurchases of the notes prior to maturity are subject to our approval and to repurchase penalties of up to three months interest on notes with three month maturities and up to six months interest on notes with maturities of six months or longer. The total principal amount of notes that we would be required to repurchase in any calendar quarter, for any reason, will be limited to the greater of $1 million or 2% of the aggregate principal amount of all notes outstanding at the end of the previous quarter. See "Description of the Notes."

THE NOTES WILL HAVE NO SINKING FUND, SECURITY, INSURANCE OR GUARANTEE.

There is no sinking fund, security, insurance or guarantee of our obligation to make payments on the notes. The notes are not secured by any of our assets. We will not contribute funds to a separate account, commonly known as a sinking fund, to make interest or principal payments on the notes. The notes are not certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation, or any other governmental or private fund or entity. Therefore, if you invest in the notes, you will have to rely only on our cash flow from operations and other sources of funds for repayment of principal at maturity or redemption and for payment of interest when due. If our cash flow from operations and other sources of funds are not sufficient to pay the notes, then you may lose all or part of your investment.

THE NOTES WILL AUTOMATICALLY RENEW UNLESS YOU REQUEST REPAYMENT.

Upon maturity, the notes will be automatically renewed for the same term as your maturing note and at an interest rate that we are offering at that time to other investors with similar aggregate note portfolios for notes of the same term, unless we notify you prior to the maturity date that we intend to repay the notes or you notify us within 15 days after the maturity date that you want your notes repaid. This 15 day period will be automatically extended if you would otherwise be required to make the repayment election at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the Securities and Exchange Commission, but such post-effective amendment has not yet been declared effective. If notes with the same term are not then being offered, the interest rate upon renewal will be the rate specified by us on or before the maturity date, or the rate of the existing note if no such rate is specified. The interest rate on your renewed note may be lower than the interest rate of your original note. Any requests for repurchases after your notes are renewed will be subject to our approval and to repurchase penalties and the limitations on the amount of notes we would be willing to repurchase in any calendar quarter.

WE HAVE SUBSTANTIAL INDEBTEDNESS THAT IS SENIOR TO THE NOTES, WHICH MAY AFFECT OUR ABILITY TO REPAY THE NOTES.

We have now and, after we sell these notes, will continue to have a substantial amount of indebtedness. At September 30, 2004, we had approximately $844.8 million of debt outstanding, comprising (in thousands):

Warehouse lines of credit (1)	16,521	
Capital lease obligation	391	
Notes payable	1,593	
Residual interest financing	27,311	
Securitization trust debt (1)	477,891	
Senior secured debt	59,829	
Subordinated debt (2)	15,000	
Total on-balance sheet debt	598,536	
Off-balance sheet securitization trust debt (1)(3)		243,272
Total on and off-balance sheet debt		841,808

(1) Debt obligations of our special purpose entities
(2) Existing debt, issued in 1995, which will rank PARI PASSU with the notes
(3) Debt obligations of our special purpose entities where the securitization transactions were structured as sales for accounting purposes

Our debt to net worth ratio at September 30, 2004 was 7.5 (including all debt issued by off-balance sheet special purpose entities our debt to net worth ration was 10.5 and excluding all securitization trust debt, our debt to net worth ratio was 1.5), and our ratio of earnings to fixed charges, including interest expense on the above-mentioned debt, was 0.84.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes by, among other things:

- increasing our vulnerability to general adverse economic and industry conditions;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing amounts available for working capital, capital expenditures and other general corporate purposes;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- placing us at a competitive disadvantage compared to our competitors that have less debt; and

- limiting our ability to borrow additional funds.

Although we believe we will generate sufficient free cash flow to service this debt and our obligations under the notes, there is no assurance that we will be able to do so. If we do not generate sufficient operating profits, our ability to make required payments on our senior debt, as well as on the debt represented by the notes described in this prospectus, may be impaired.

WE MIGHT INCUR SUBSTANTIALLY MORE INDEBTEDNESS THAT WILL BE SENIOR TO YOUR NOTES.

Subject to limitations contained in our credit facility and in the indenture, we may incur substantial additional indebtedness in the future. While the indenture for the notes requires us to maintain a positive net worth, it does not prohibit us from incurring additional indebtedness. Any such borrowings would be senior to the notes. If we borrow more money, the risks to noteholders described in this prospectus could intensify.

OUR MANAGEMENT HAS BROAD DISCRETION OVER THE USE OF PROCEEDS FROM THE OFFERING.

We expect to use the proceeds from the offering to fund the purchase of motor vehicle contracts and for other general corporate purposes, which may include the payment of general and administrative expenses. Because no specific allocation of the proceeds is required in the indenture, our management will have broad discretion in determining how the proceeds of the offering will be used. See "Use of Proceeds."

WE ARE SUBJECT TO MANY RESTRICTIONS IN OUR EXISTING CREDIT FACILITIES.

The terms of our existing credit facilities impose significant operating and financial restrictions on us and our subsidiaries and require us to meet certain financial tests. The indenture for the notes also imposes certain limited restrictions on our ability and that of our subsidiaries to take certain actions. Such terms and restrictions may be amended or supplemented from time to time without requiring any notice to or consent of the holders of the notes or the trustee. These restrictions may have an adverse impact on our business activities, results of operations and financial condition. These restrictions may also significantly limit or prohibit us from engaging in certain transactions, including the following:

- incurring or guaranteeing additional indebtedness;

- making capital expenditures in excess of agreed upon amounts;

- paying dividends or other distributions to our stockholders or redeeming, repurchasing or retiring our capital stock or subordinated obligations;

- making investments;

- creating or permitting liens on our assets or the assets of our subsidiaries;

- issuing or selling capital stock of our subsidiaries;

- transferring or selling our assets;

- engaging in mergers or consolidations;

- permitting a change of control of our company;
- liquidating, winding up or dissolving our company;
- changing our name or the nature of our business, or the names or nature of the business of our subsidiaries; and
- engaging in transactions with our affiliates outside the normal course of business.

These restrictions may limit our ability to obtain additional sources of capital, which may limit our ability to repay the notes. In addition, the failure to comply with any of the covenants of our existing credit facilities or the indenture or to maintain certain indebtedness ratios would cause a default under one or more of our credit facilities and may cause a default under the indenture or our other debt agreements that may be outstanding from time to time. A default, if not waived, could result in acceleration of the related indebtedness, in which case such debt would become immediately due and payable. A continuing default or acceleration of one or more of our credit facilities, the indenture or any other debt agreement, will likely cause a default under the indenture and other debt agreements that otherwise would not be in default, in which case all such related indebtedness could be accelerated. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance our indebtedness. Even if any new financing is available, it may not be on terms that are acceptable to us or it may not be sufficient to refinance all of our indebtedness as it becomes due. Complying with these covenants may cause us to take actions that are not favorable to holders of the notes. See "Description of the Notes - Restrictive Covenants."

YOU WILL HAVE ONLY LIMITED PROTECTION UNDER THE INDENTURE.

In comparison to the restrictive covenants that are imposed on us by our existing credit facilities and other borrowing arrangements, the indenture governing the notes contains relatively minimal restrictions on our activities. In addition, the indenture contains only limited events of default other than our failure to timely pay principal and interest on the notes. Because there are only very limited restrictions and limited events of default under the indenture, we will not be restricted from issuing additional debt senior to your notes or be required to maintain any ratios of assets to debt in order to increase the likelihood of timely payments to you under the notes. Further, if we default in the payment of the notes or otherwise under the indenture, you will likely have to rely on the trustee to exercise your remedies on your behalf. You may not be able to seek remedies against us directly. See "Description of the Notes - Events of Default."

OUR RIGHT TO REDEEM THE NOTES PRIOR TO MATURITY MAY RESULT IN REINVESTMENT RISK FOR YOU.

We have the right to redeem any note at any time prior to its stated maturity upon 30 days written notice to you. The notes would be redeemed at 100% of the principal amount plus accrued but unpaid interest up to but not including the redemption date. Any such redemption may have the effect of reducing the income or return on investment that any investor may receive on an investment in the notes by reducing the term of the investment. If this occurs, you may not be able to reinvest the proceeds at an interest rate comparable to the rate paid on the notes. See "Description of the Notes - Redemption or Repurchase Prior To Stated Maturity."

RISK OF TERMINATION OF DISTRIBUTION AND MANAGEMENT AGREEMENT.

The distribution and management agreement between us and Sumner Harrington Ltd. may be terminated by us upon prior notice. Therefore, it is not certain Sumner Harrington Ltd. will be responsible for the marketing, sale and administration of the notes for the duration of this offering. Other parties, including our company, may take over the functions currently provided by Sumner Harrington Ltd. Therefore, you should not rely on Sumner Harrington Ltd. continuously being responsible for the marketing, sale and administration of the notes.

YOU MAY BE REQUIRED TO PAY TAXES ON ACCRUED INTEREST ON NOTES PRIOR TO RECEIVING A SUFFICIENT AMOUNT OF CASH INTEREST PAYMENTS.

If you choose to have interest on your note paid at maturity and the term of your note exceeds one year, you may be required to pay taxes on the accrued interest prior to our making any interest payments to you. You should consult your tax advisor to determine your tax obligations.

RISK FACTORS RELATING TO CPS

WE REQUIRE A SUBSTANTIAL AMOUNT OF CASH TO SERVICE OUR INDEBTEDNESS.

To service our indebtedness, we require a significant amount of cash. Our ability to generate cash depends on many factors, including our successful financial and operating performance. We cannot assure you that our business strategy will continue to succeed or that we will achieve our anticipated financial results. Our financial and operational performance depends upon a number of factors, many of which are beyond our control. These factors include, without limitation:

- the current economic and competitive conditions in the asset-backed securities market;
- the current credit quality of our motor vehicle contracts;
- the performance of our residual interests;
- any operating difficulties or pricing pressures we may experience;
- our ability to obtain credit enhancement;
- our ability to establish and maintain dealer relationships;
- the passage of laws or regulations that affect us adversely;
- any delays in implementing any strategic projects we may have;
- our ability to compete with our competitors; and
- our ability to acquire motor vehicle contracts.

Depending upon the outcome of one or more of these factors, we may not be able to generate sufficient cash flow from operations or to obtain sufficient funding to satisfy all of our obligations, including our obligations under the notes. If we are unable to pay our debts, we will be required to pursue one or more alternative strategies, such as selling assets, refinancing or restructuring our indebtedness or selling additional equity capital. These alternative strategies may not be feasible at the time, may prove inadequate or could require the prior consent of our senior secured and unsecured lenders.

WE NEED SUBSTANTIAL LIQUIDITY TO OPERATE OUR BUSINESS.

We have historically funded our operations principally through internally generated cash flows, sales of debt and equity securities, including through securitizations and warehouse credit facilities, borrowings from a private equity fund and sales of subordinated notes. However, we may not be able to obtain sufficient funding for our operations through either or a combination of (1) future access to the capital markets for equity or debt issuances, including securitizations or (2) future borrowings or other financings on acceptable terms to us.

If we are unable to access the capital markets or obtain acceptable financing, our results of operations, financial condition and cash flows would be materially and adversely affected and we may be unable to make payments on the notes. We require a substantial amount of cash liquidity to operate our business. Among other things, we use such cash liquidity to:

- acquire motor vehicle contracts;

- fund overcollateralization in warehouse facilities and securitizations;
- pay securitization fees and expenses;
- fund spread accounts in connection with securitizations;
- settle hedge transactions;
- satisfy working capital requirements and pay operating expenses; and
- pay interest expense.

Prior to the third quarter of 2003, when we securitized our motor vehicle contracts, we reported a gain on the sale of those contracts. This gain represented a substantial portion of our revenues prior to the third quarter of 2003. However, although we reported this gain at the time of sale, we received the monthly cash payments on those contracts (representing revenue previously recognized) over the life of the motor vehicle contracts, rather than at the time of sale. As a result, a substantial portion of our reported revenues prior to the third quarter of 2003 did not represent immediate cash liquidity.

WE DEPEND ON CREDIT AND WAREHOUSE FINANCING.

We depend on credit and warehouse facilities to finance our purchases of motor vehicle contracts. Our business strategy requires that these credit and warehouse financing sources continue to be available to us from the time of purchase or origination of a motor vehicle contract until its sale through a securitization.

Our primary source of day-to-day liquidity is our warehouse lines of credit, in which we sell or pledge motor vehicle contracts, as often as once a week, to special-purpose affiliated entities where they are "warehoused" until they are securitized. We depend substantially on two warehouse lines of credit; (i) a $125 million warehouse line of credit with Paradigm Funding LLC, which was renewed in April 2004 and, unless earlier terminated upon the occurrence of certain events, will expire in April 2005 and (ii) a $100 million warehouse line of credit with UBS Real Estate Securities Inc., which was executed in June 2004 and, unless earlier terminated upon the occurrence of certain events, will expire in June 2007. These warehouse facilities will remain available to us only if, among other things, we comply with certain financial covenants contained in the documents governing these facilities. These warehouse facilities may not be available to us in the future and we may not be able to obtain other credit facilities on favorable terms to fund our operations.

If we are unable to arrange new warehousing or credit facilities or extend our existing warehouse or credit facilities when they come due, our results of operations, financial condition and cash flows could be materially and adversely affected and we may be unable to make payments on the notes.

WE DEPEND ON OUR SECURITIZATION PROGRAM.

We are dependent upon our ability to continue to finance pools of motor vehicle contracts in term securitizations in order to generate cash proceeds for new purchases of motor vehicle contracts. We have historically depended on securitizations of motor vehicle contracts to provide permanent financing of those contracts. By "permanent financing" we mean financing that extends to cover the full term of the contracts. By contrast, our warehouse credit facilities permit us to borrow against the value of such receivables only for limited times. There can be no assurance that any securitization transaction will be available on terms acceptable to us, or at all. The timing of any securitization transaction is affected by a number of factors beyond our control, any of which could cause substantial delays, including, without limitation,

- market conditions;
- the approval by all parties of the terms of the securitization;
- the availability of credit enhancement on acceptable terms; and

- our ability to acquire a sufficient number of motor vehicle contracts for securitization.

Adverse changes in the market for securitized contract pools may result in our inability to securitize contracts and may result in a substantial extension of the period during which our contracts are financed through our warehouse facilities, which would burden our financing capabilities, could require us to curtail our purchase of contracts, and could have a material adverse effect on us and our ability to make payments on the notes.

WE DEPEND ON RESIDUAL INTERESTS FROM OUR SECURITIZATION PROGRAM AND WAREHOUSE CREDIT FACILITIES.

When we sell or pledge our motor vehicle contracts in securitizations and warehouse credit facilities, we receive cash and a residual interest in the securitized assets. This residual interest represents the right to receive the future cash flows to be generated by the motor vehicle contracts in excess of (i) the interest and principal paid to investors on the indebtedness issued in connection with the financing (ii) the costs of servicing the contracts and (iii) certain other costs incurred in connection with completing and maintaining the securitization or warehousing. We sometimes refer to these future cash flows as "excess spread cash flows."

Under the financial structures we have used to date in our securitizations and warehouse credit facilities, excess spread cash flows that would otherwise be paid to the holder of the residual interest are used to increase overcollateralization or are retained in a spread account within the securitization trusts or the warehouse facility to provide liquidity and credit enhancement for the related securities.

While the specific terms and mechanics of each spread account vary among transactions, our securitization and warehousing agreements generally provide that we will receive excess spread cash flows only if the amount of overcollateralization and spread account balances have reached specified levels and/or the delinquency, defaults or net losses related to the contracts in the motor vehicle contract pools are below certain predetermined levels. In the event delinquencies, defaults or net losses on contracts exceed these levels, the terms of the securitization or warehouse facility:

- may require increased credit enhancement, including an increase in the amount required to be on deposit in the spread account, to be accumulated for the particular pool;
- may restrict the distribution to us of excess spread cash flows associated with other securitized or warehoused pools; and
- in certain circumstances, may permit affected parties to require the transfer of servicing on some or all of the securitized or warehoused contracts to another servicer.

We typically retain or sell residual interests or use them as collateral to borrow cash. In any case, the future excess spread cash flow received in respect of the residual interests are integral to the financing of our operations. The amount of cash received from residual interests depends in large part on how well our portfolio of securitized and warehoused motor vehicle contracts performs. If our portfolio of warehoused and securitized motor vehicle contracts has higher delinquency and loss ratios than expected, then the amount of money realized from our retained residual interests, or the amount of money we could obtain from the sale or other financing of our residual interests, would be reduced, which could have an adverse effect on our operations, financial condition and cash flows and our ability to make payments on the notes.

WE DEPEND ON CREDIT ENHANCEMENT.

In our securitizations, we typically utilize credit enhancement in the form of one or more financial guaranty insurance policies issued by Financial Security Assurance Inc., XL Capital Assurance Inc. or Radian Asset Assurance Inc. Each of these policies unconditionally and irrevocably guarantees certain interest and principal payments on the securities issued in our securitizations. These guarantees enable these securities to achieve the highest credit rating available. This form of credit enhancement reduces the costs of our securitizations relative to alternative forms of credit enhancements currently available to us. None of FSA, XL or Radian is required to insure future securitizations. As we pursue future securitizations, we may not be able to obtain:

- credit enhancement in any form from FSA, XL or Radian or any other provider of credit enhancement on acceptable terms; or
- similar ratings for future securitizations.

We also rely on a financial guaranty insurance policy issued by XL to reduce our borrowing cost under our warehouse facility with Paradigm. If XL's credit rating is downgraded or if XL withdraws our credit enhancement from the Paradigm warehouse facility, we could be subject to higher interest costs for our future securitizations and higher financing costs during the warehousing period. Higher interest and financing costs could have a material adverse effect on our results of operations, financial condition and cash flows and our ability to make interest payments on, or repay, the notes.

WE FINANCE HIGH-RISK CONSUMERS.

We specialize in the purchase, sale and servicing of contracts to finance automobile purchases by customers with impaired or limited credit histories or "sub-prime" customers, which entail a higher risk of non-performance, higher delinquencies and higher losses than contracts with more creditworthy customers. While we believe that the underwriting criteria and collection methods we employ enable us to control the higher risks inherent in contracts with sub-prime customers, no assurance can be given that such criteria and methods will afford adequate protection against such risks. We have in the past experienced fluctuations in the delinquency and charge-off performance of our contracts. In the event that portfolios of contracts securitized and serviced by us experience greater defaults, higher delinquencies or higher net losses than anticipated, our income could be negatively affected and our ability to make payments on the notes could be impaired. A larger number of defaults than anticipated could also result in adverse changes in the structure of future securitization transactions, such as a requirement of increased cash collateral or other credit enhancement in such transactions.

DUE TO THE NATURE OF OUR BUSINESS WE MAY BE PARTICULARLY SUSCEPTIBLE TO A GENERAL ECONOMIC DOWNTURN.

Our business is directly related to sales of new and used automobiles, which are sensitive to employment rates, prevailing interest rates and other domestic economic conditions. Delinquencies, repossessions and losses generally increase during economic slowdowns or recessions. Because of our focus on "sub-prime" customers, the actual rates of delinquencies, repossessions and losses on our motor vehicle contracts could be higher under adverse economic conditions than those experienced in the automobile finance industry in general, particularly in the states of Texas, California, Florida, Louisiana and Pennsylvania, states in which our motor vehicle contracts are geographically concentrated. Any sustained period of economic slowdown or recession could adversely affect our ability to sell or securitize pools of contracts. The timing of any economic changes is uncertain, and weakness in the economy could have an adverse effect on our business and that of the dealers from which we purchase contracts and result in reductions in our revenues or the cash flows available to us, and, therefore, could have an adverse effect on our ability to make payments on the notes.

WE ARE SUBJECT TO INTEREST RATE FLUCTUATIONS.

Our profitability is largely determined by the difference, or "spread," between the effective interest rate received by us on the motor vehicle contracts which we acquire and the interest rates payable under our warehouse credit facilities during the warehousing period and on the securities issued in our securitizations.

Several factors affect our ability to manage interest rate risk. Specifically, we are subject to interest rate risk during the period between when motor vehicle contracts are purchased from dealers and when such contracts sold and financed in a securitization. Specifically, the interest rates on the warehouse credit facilities are adjustable while the interest rates on the contracts are fixed. Therefore, to the extent interest rates increase, and if we are not properly hedged for an interest rate increase, the interest we must pay to the lender's under our warehouse credit facilities is likely to increase while the interest realized by us under those warehoused contracts remains the same, and thus, during the warehousing period, the excess spread cash flow received by us would likely decrease. Additionally, contracts warehoused and then securitized during a rising interest rate environment may result in less excess spread cash flow realized by us under those securitizations as, historically, our securitization facilities pay interest to securityholders on a fixed rate basis set at prevailing interest rates at the time of the closing of the securitization, which may be several months after the contracts securitized were originated and entered the warehouse, while our customers pay fixed rates of interest on the contracts. A decrease in excess spread cash flow could adversely affect our earnings and cash flow and our ability to make payments on the notes.

To mitigate, but not eliminate, the short-term risk (relating to interest rates payable by us under the warehouse facilities) we generally hold motor vehicle contracts in the warehouse facilities for less than four months. To mitigate, but not eliminate, the long-term risk (relating to interest rates payable by us in securitizations) we have in the past, and intend to continue to, structure some of our securitization transactions to include pre-funding structures, whereby the amount of securities issued exceeds the amount of contracts initially sold into the securitization. In pre-funding, the proceeds from the pre-funded portion are held in an escrow account until we sell the additional contracts into the securitization in amounts up to the balance of the pre-funded escrow account. In pre-funded securitizations, we effectively lock in the borrowing costs with respect to the contracts we subsequently sell into the securitization. However, we incur an expense in pre-funded securitizations equal to the difference between the money market yields earned on the proceeds held in escrow prior to subsequent delivery of contracts and the interest rate paid on the securities outstanding, the amount as to which there can be no assurance. Despite these mitigation strategies, an increase in prevailing interest rates would cause us to receive less excess spread cash flows on motor vehicle contracts, and thus could adversely affect our earnings and cash flows and our ability to make payments on the notes.

OUR BUSINESS IS HIGHLY COMPETITIVE.

The automobile financing business is highly competitive. We compete 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 and Ford Motor Credit Corporation. Many of our competitors and potential competitors possess substantially greater financial, marketing, technical, personnel and other resources than we do, including greater access to capital markets for unsecured commercial paper and investment grade rated debt instruments, and to other funding sources which may be unavailable to us. Moreover, our future profitability will be directly related to the availability and cost of our capital relative to that of our competitors. Many of these companies also have long-standing relationships with automobile dealers and may provide other financing to dealers, including floor plan financing for the dealers' purchases of automobiles from manufacturers, which we do not offer. There can be no assurance that we will be able to continue to compete successfully and, as a result, we may not be able to purchase contracts from dealers at a price acceptable to us, which could result in reductions in our revenues or the cash flows available to us, and, therefore, could have an adverse effect on our ability to make payments on the notes.

WE DEPEND ON DEALERS.

We are dependent upon establishing and maintaining relationships with a large number of unaffiliated automobile dealers to supply us with motor vehicle contracts. During the year ended December 31, 2003, no dealer accounted for more than 1.0% of the contracts we purchased. The agreements we have with dealers to purchase contracts do not require dealers to submit a minimum number of contracts for purchase. The failure of dealers to submit contracts that meet our

underwriting criteria could result in reductions in our revenues or the cash flows available to us, and, therefore, could have an adverse effect on our ability to make payments on the notes.

WE WILL BE ADVERSELY AFFECTED WHEN CONTRACTS ARE PREPAID OR DEFAULT.

If motor vehicle contracts that we purchase or service are prepaid or experience defaults, this could materially and adversely affect our results of operations, financial condition and cash flows and our ability to make payments on the notes. Our results of operations, financial condition, cash flows and liquidity, and consequently our ability to make payments on the notes, depend, to a material extent, on the performance of motor vehicle contracts which we purchase, warehouse and securitize. A portion of the motor vehicle contracts acquired by us will default or prepay. In the event of payment default, the collateral value of the motor vehicle securing a motor vehicle contract will most likely not cover the outstanding principal balance on that contract and the related costs of recovery. We maintain an allowance for credit losses on motor vehicle contracts held on our balance sheet, which reflects our estimates of probable credit losses which can be reasonably estimated for on-balance sheet securitizations and warehoused contracts. If the allowance is inadequate, then we would recognize the losses in excess of the allowance as an expense and our results of operations could be adversely affected. In addition, under the terms of our warehouse facilities with Paradigm and UBS, we are not able to borrow against defaulted motor vehicle contracts.

Our servicing income can also be adversely affected by prepayment of, or defaults under, motor vehicle contracts in our servicing portfolio. Our contractual servicing revenue is based on a percentage of the outstanding principal balance of the motor vehicle contracts in our servicing portfolio. If motor vehicle contracts are prepaid or charged off, then our servicing revenue will decline while our servicing costs may not decline proportionately.

The value of our residual interest in the securitized assets in each off-balance sheet securitization reflects our estimate of expected future credit losses and prepayments for the motor vehicle contracts included in that securitization. If actual rates of credit loss or prepayments, or both, on such motor vehicle contracts exceed our estimates, the value of our residual interest and the related cash flow would be impaired. We periodically review our credit loss and prepayment assumptions relative to the performance of the securitized motor vehicle contracts and to market conditions. Our results of operations and liquidity could be adversely affected if actual credit loss or prepayment levels on securitized motor vehicle contracts substantially exceed anticipated levels. Under certain circumstances, we could be required to record an impairment charge through a reduction to interest income.

EFFECTS OF TERRORISM AND MILITARY ACTION.

The long-term economic impact of the events of September 11, 2001, possible future attacks or other incidents and related military action, or current or future military action by United States forces in Iraq and other regions, could have a material adverse effect on general economic conditions, consumer confidence, and market liquidity. No assurance can be given as to the effect of these events on the performance of the motor vehicle contracts. Any adverse impact resulting from these events could materially affect our results of operations, financial condition and cash flows. In addition, activation of a substantial number of U.S. military reservists or members of the National Guard may significantly increase the proportion of contracts whose interest rates are reduced by the application of the Servicemembers' Civil Relief Act, which provides, generally, that an obligor who is covered by the relief act may not be charged interest on the related contract in excess of 6% annually during the period of the obligor's active duty.

WE WILL BE ADVERSELY AFFECTED IF WE LOSE SERVICING RIGHTS.

The loss of our servicing rights could materially and adversely affect our results of operations, financial condition and cash flows and our ability to make payments on the notes. Our results of operations, financial condition and cash flows, and our ability to make interest payments on, or repay, the notes, would be materially and adversely affected if any of the following were to occur:

- the loss of our servicing rights under the sale and servicing agreements for our warehouse facilities with Paradigm Funding and UBS;

- the loss of our servicing rights under the applicable sale and servicing agreement relating to motor vehicle contracts which we have sold in our securitizations or service on behalf of third parties, including servicing rights acquired from Seawest; or

- the occurrence of certain trigger events under our insurance agreements with FSA, XL or Radian or with any other credit enhancer in each of our securitizations that would block the release of excess spread cash flows or cash releases from the spread accounts in those securitizations.

We are entitled to receive servicing fees only while we act as servicer under the applicable sale and servicing agreement for motor vehicle contracts entered into in connection with our warehouse facilities and securitizations and the agreements under which we service motor vehicle contracts in connection with the Seawest securitizations. Under our warehouse facilities and securitizations and the Seawest securitizations, we may be terminated as servicer upon the occurrence of certain events, including:

- our failure generally to observe and perform covenants and agreements applicable to us;

- certain bankruptcy events involving us; or

- the occurrence of certain events of default under the documents governing the facilities.

WE DEPEND ON KEY PERSONNEL.

Our future operating results depend in significant part upon the continued service of our key senior management personnel, none of whom is bound by an employment agreement. Our future operating results also depend in part upon our ability to attract and retain qualified management, technical, sales and support personnel for our operations. Competition for such personnel is intense. We cannot assure you that we will be successful in attracting or retaining such personnel. The loss of any key employee, the failure of any key employee to perform in his or her current position or our inability to attract and retain skilled employees, as needed, could materially and adversely affect our results of operations, financial condition and cash flows.

WE ARE SUBJECT TO MANY REGULATIONS.

Failure to materially comply with all laws and regulations applicable to us could materially and adversely affect our ability to operate our business and our ability to make payments on the notes. Our business is subject to numerous federal and state consumer protection laws and regulations, which, among other things:

- require us to obtain and maintain certain licenses and qualifications;

- limit the interest rates, fees and other charges we are allowed to charge;

- limit or prescribe certain other terms of our motor vehicle contracts;

- require specific disclosures;

- define our rights to repossess and sell collateral; and

- maintain safeguards designed to protect the security and confidentiality of customer information.

We believe that we are in compliance in all material respects with all such laws and regulations, and that such laws and regulations have had no material adverse effect on our ability to operate our business. However, we may be materially and adversely affected if we fail to comply with:

- applicable laws and regulations;

- changes in existing laws or regulations;

- changes in the interpretation of existing laws or regulations; or

- any additional laws or regulations that may be enacted in the future.

WE ARE SUBJECT TO LITIGATION RISKS.

Unfavorable outcomes in any of our current or future litigation proceedings could materially and adversely affect our results of operations, financial conditions and cash flows and our ability to make payments on the notes. As a consumer finance company, we are subject to various consumer claims and litigation seeking damages and statutory penalties based upon, among other things, disclosure inaccuracies and wrongful repossession, which could take the form of a plaintiff's class action complaint. We, as the assignee of finance contracts originated by dealers, may also be named as a co-defendant in lawsuits filed by consumers principally against dealers. We are also subject to other litigation common to the motor vehicle industry and businesses in general. The damages and penalties claimed by consumers and others in these types of matters can be substantial. The relief requested by the plaintiffs varies but includes requests for compensatory, statutory and punitive damages.

While we intend to vigorously defend ourselves against such proceedings, there is a chance that our results of operations, financial condition and cash flows could be materially and adversely affected by unfavorable outcomes, which, in turn, could affect our ability to make interest payments on, or repay, the notes.

WE ARE SUBJECT TO SYSTEM RISKS

Problems with our in-house loan accounting and collection systems could materially and adversely affect our collections and cash flows and our ability to make payments on the notes. Any significant failures or defects with our accounting and collection systems could adversely affect our results of operations, financial conditions and cash flows and our ability to perform our obligations under the notes.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements of a forward-looking nature relating to future events or our future performance. These forward-looking statements are based on our current expectations, assumptions, estimates and projections about us and our industry. When used in this prospectus, the words "expects," "believes," "anticipates," "estimates," "intends" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, statements of our plans, strategies and prospects under the captions "Prospectus Summary," "Risk Factors," "Use of Proceeds," and other statements contained elsewhere in this prospectus.

These forward-looking statements are only predictions and are subject to risks and uncertainties that could cause actual events or results to differ materially from those projected. The cautionary statements made in this prospectus should be read as being applicable to all related forward-looking statements wherever they appear in this prospectus. We assume no obligation to update these forward-looking statements publicly for any reason. Actual results could differ materially from those anticipated in these forward-looking statements.

RATIOS OF EARNINGS TO FIXED CHARGES

	1999	2000	2001	2002	2003	September 30, 2004
Ratio of earnings to fixed charges(1)	-1.54	-0.77	1.02	1.12	1.02	0.84
Deficiency(2) ($000s)	72,163	32,403				3,642

(1) For purposes of computing our ratios of earnings to fixed charges, we calculated earnings by adding fixed charges to income before income taxes. Fixed charges consist of gross interest expenses and one-third of our rent expense, which is the amount we believe is representative of the interest factor component of our rent expense.

(2) The deficiency is the amount by which the sum of earnings plus fixed charges, as calculated above, fell short of fixed charges. It is thus equal to our pre-tax loss recorded in the years ended December 31, 1999 and 2000, and in the nine-month period ended September 30, 2004.

USE OF PROCEEDS

If all of the notes are sold with maturities of three years or more, we would expect to receive approximately $96.8 million of net proceeds from this offering after deducting the selling agent commissions and estimated offering expenses payable by us. Although we have no specific plan to allocate the proceeds, the general purpose of the offering is to raise capital to purchase motor vehicle contracts and for other general corporate purposes, which may include payment of general and administrative expenses.

CAPITALIZATION

The following table sets forth our capitalization, as of September 30, 2004, and as adjusted to give effect to the sale of $100,000,000 principal amount of the notes. For a description of the application of the net proceeds, assuming all of the notes are sold with maturities of two years or more, see "Use of Proceeds" and "Risk Factors - Risk Factors Relating to the Notes - Our Management has Broad Discretion Over the Use of Proceeds."

	As of September 30, 2004 (in 000's)	
	Actual	As adjusted
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$ 24,081	$ 24,081
Warehouse lines of credit	16,521	16,521
Tax liabilities, net	2,949	2,949
Capital lease obligation	391	391
Notes payable	1,593	1,593
Residual interest financing	27,311	27,311
Securitization trust debt	477,891	477,891
Senior secured debt	59,829	59,829
Subordinated debt	15,000	115,000
	625,566	725,566
SHAREHOLDERS' EQUITY		
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; 21,403,409 shares issued and outstanding at September 30, 2004	65,894	65,894
Retained earnings	17,350	17,350
Comprehensive loss - minimum pension benefit obligation, net	(2,426)	(2,426)
Deferred compensation	(558)	(558)
Total Shareholders' Equity	80,260	80,260
Total capitalization	$ 705,826	$ 805,826

RECENT DEVELOPMENTS

CHANGE OF AUDITORS

On October 16, 2004, we notified KPMG LLP ("KPMG") that KPMG's appointment as our independent auditor would cease upon completion of their review of our consolidated financial statements as of and for the three- and nine-month periods ended September 30, 2004. The Audit Committee of our Board of Directors approved the decision to terminate such appointment. KPMG's audit reports on our financial statements for the most recent two fiscal years, which ended December 31, 2003 and 2002, respectively, did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

On November 15, 2004, KPMG completed its review of our consolidated financial statements as of and for the three- and nine- month periods ended September 30, 2004. KPMG's appointment as our independent auditor ended at that time.

On October 21, 2004, at the direction of the Audit Committee, the Company appointed McGladrey & Pullen LLP to serve as the Company's independent public accountants, effective with the audit of financial statements for the year ending December 31, 2004.

During the Company's two most recent fiscal years ended December 31, 2003 and 2002, and the subsequent interim period through October 21, 2004, neither the Company nor anyone acting on its behalf consulted McGladrey & Pullen LLP regarding any of the matters specified in Item 304(a)(2) of Regulation S-K.

In connection with its audits of the Company's financial statements for the two most recent fiscal years, ended December 31, 2002 and 2003, and through November 15, 2004:

(a) there were no disagreements between the Company and KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to KPMG's satisfaction, would have caused KPMG to make reference to the subject matter of the disagreements in connection with its opinions on the financial statements; and

(b) there were no reportable events (as specified in Item 304(a)(1)(v) of Regulation S-K).

SHARE REPURCHASE PROGRAM

The Company has announced that a new share repurchase program has been authorized. The maximum dollar amount to be expended on purchases of shares is $5 million; no minimum amount is committed. Purchases under such program have not commenced as of the date of this report, and there can be no assurance as to the amount or timing of any such purchases.

AMENDMENT OF PARADIGM FUNDING WAREHOUSE CREDIT FACILITY

In November 2004, we amended the agreements governing our warehouse credit facility with Paradigm Funding. The principal change was to allow us to borrow against auto receivables originated by our subsidiary, TFC.

DESCRIPTION OF THE NOTES

GENERAL. The renewable unsecured subordinated notes we are offering will represent subordinated, unsecured debt obligations of CPS. We will issue the notes under an indenture dated January __, 2005 between us and Wells Fargo Bank, National Association, as trustee. The terms and conditions of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939. The following is a summary of the material provisions of the indenture. For a complete understanding of the notes, you should review the definitive terms and conditions contained in the indenture, which include definitions of certain terms used below. A copy of the indenture has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part and is available from us at no charge upon request.

The notes will be subordinated in right of payment to the prior payment in full of all our secured, unsecured, senior and subordinate debt, and other financial obligations, whether outstanding on the date of the indenture or incurred following the date of the indenture. Subject to limited restrictions contained in the indenture discussed below, there is no limit under the indenture on the amount of additional debt we may incur. See " - Subordination" below.

The notes are not secured by any collateral or lien and we are not required to establish or maintain a sinking fund to provide for payments on the notes. See " - No Security; No Sinking Fund" below. In addition, the notes are not bank certificates of deposit and are not insured by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation or any other agency or company.

You may select the amount (subject to a minimum principal amount of $1,000) and term (ranging from 3 months to 10 years) of the notes you would like to purchase when you subscribe; however, depending upon our capital requirements, we may not always offer notes with the requested terms. See " - Denomination" and " - Term" below.

We will determine the rate at which we will pay you interest on the notes at the time of subscription and the rate will be fixed for the term of your note. Currently available rates will be set forth in interest rate supplements to this prospectus. The interest rate will vary based on the term to maturity of the note you purchase and the total principal amount of all notes owned by you and your immediate family. We may change the interest rates at which we are offering new or renewed notes based on market conditions, the demand for notes and other factors. See " - Interest Rate" below.

Upon acceptance of your subscription to purchase notes, our servicing agent will create an account in a book-entry registration and transfer system for you, and credit the principal amount of your subscription to your account. Our servicing agent will send you a purchase confirmation that will indicate our acceptance of your subscription. You will have five business days from the postmark date of your purchase confirmation to rescind your subscription. If your subscription is rejected by us or our servicing agent, or if you rescind your subscription during the rescission period, all funds deposited will be promptly returned to you without any interest. See " - Book-Entry Registration and Transfer" and " - Rescission Right" below. Investors whose subscriptions for notes have been accepted and anyone who subsequently acquires notes in a qualified transfer are referred to as "holders" or "registered holders" in this prospectus and in the indenture.

We may modify or supplement the terms of the notes described in this prospectus from time to time in a supplement to the indenture and a supplement to this prospectus. Except as set forth under " - Amendment, Supplement And Waiver" below, any modification or amendment will not affect notes outstanding at the time of such modification or amendment.

DENOMINATION. You may purchase notes in the minimum principal amount of $1,000 or any amount in excess of $1,000. You will determine the original principal amount of each note you purchase when you subscribe. You may not cumulate purchases of multiple notes with principal amounts less than $1,000 to satisfy the minimum denomination requirement.

TERM. We may offer notes with the following terms to maturity:

o three months	o three years
o six months	o four years
o one year	o five years
o two years	o ten years

You will select the term of each note you purchase when you subscribe. You may purchase multiple notes with different terms by filling in investment amounts for more than one term on your subscription agreement. However, we may not always sell notes with all of the above terms.

INTEREST RATE. The rate of interest we will offer to pay you on notes at any particular time will vary based upon market conditions, and will be determined by the length of the term of the notes, the total principal amount of all notes owned by you and your immediate family, our capital requirements and other factors described below. The interest rate on a particular note will be determined at the time of subscription or renewal, and then remain fixed for the original or renewal term of the note. We will establish and may change the interest rates payable for notes of various terms and at various investment levels in an interest rate supplement to this prospectus.

The notes will earn incrementally higher interest rates when, at the time they are purchased or renewed, the aggregate principal amount of the note portfolios of the holder and the holder's immediate family is at least $25,000, $50,000, $75,000 or $100,000. The interest rates payable at each level of investment will be set forth in an interest rate supplement to this prospectus. Immediate family members include parents, children, siblings, grandparents, and grandchildren. Members of sibling families are also considered immediate family members if the holder's sibling is also a note holder. An investor must identify his or her immediate family members in the subscription agreement in order to use their notes to determine the interest rate for such investor's notes.

Interest rates we offer on the notes may vary based on numerous factors in addition to length of the term and aggregate principal amount. These factors may include, but are not limited to:

- the desire to attract new investors;
- whether the notes exceed certain principal amounts;
- whether the notes are being renewed by existing holders; and
- whether the notes are beneficially owned by persons residing in particular geographic localities.

COMPUTATION OF INTEREST. We will compute interest on notes on the basis of a calendar year consisting of 365 days. Interest will compound daily and accrue from the date of purchase. The date of purchase will be the date we receive and accept funds if the funds are received prior to 12:01 p.m. central time on a business day, or the next business day if the funds are received on a non-business day or at or after 12:01 p.m. central time on a business day. Our business days are Monday through Friday, except for legal holidays in the State of Minnesota.

INTEREST PAYMENT DATES. Holders of notes may elect at the time a subscription agreement is completed to have interest paid either monthly, quarterly, semiannually, annually or at maturity. If you choose to have interest paid monthly, you may elect the day of the month on which interest will be paid, subject to our approval. For all other payment periods, interest will be paid on the same day of the month as the purchase date of your note. You will not earn interest on any rescinded note. See "--Rescission Right" below for additional information on your right to rescind your investment.

The period or day of interest payment for each note may be changed one time only by the holder during the term of the note, subject to our approval. Requests to change the election must be made in writing to our servicing agent and will be effective no later than the first business day following the 45th day after the election change request is received. No specific change in election form is required and there is no charge to change the election once during the term of a note. Any interest not paid on an interest payment date will be paid at maturity.

PLACE AND METHOD OF PAYMENT. We will pay principal and interest on the notes by direct deposit to the account you specify in your subscription documents. We will not accept subscription agreements from investors who are unwilling to receive their interest payments via direct deposit. If the foregoing payment method is not available, principal and interest on the notes will be payable at our principal executive office or at such other place as we may designate for payment purposes.

SERVICING AGENT. We have engaged Sumner Harrington Ltd., the investment banking firm that is helping us sell the notes, to act as our servicing agent for the notes. Sumner Harrington Ltd.'s responsibilities as servicing agent will involve the performance of certain administrative and customer service functions for the notes that we are responsible for performing as the issuer of the notes. For example, as our servicing agent, Sumner Harrington Ltd. will serve as our registrar and transfer agent and will manage all aspects of the customer service function for the notes, including handling all phone inquiries, mailing investment kits, meeting with investors, processing subscription agreements, issuing quarterly investor statements and redeeming and repurchasing notes. In addition, as servicing agent, Sumner Harrington Ltd. will provide us with monthly reports and analysis regarding the status of the notes, the marketing efforts and the amount of notes that remain available for purchase and also will have the ability to exercise certain limited discretion with respect to waiving early repurchase penalties, changing interest payment dates and rejecting subscription agreements. Other duties of Sumner Harrington Ltd. as our servicing agent under the distribution and management agreement are described throughout this section and under "Plan of Distribution."

As compensation for its services as servicing agent, we will pay Sumner Harrington Ltd. an annual portfolio management fee equal to 0.25% of the weighted average daily principal balance of the notes so long as Sumner Harrington Ltd. is engaged as our servicing agent, subject to certain maximum payment provisions set forth below in "Plan of Distribution." The ongoing fee will be paid monthly. The distribution and management agreement may be terminated by either party by prior notice. Sumner Harrington Ltd.'s duties and compensation as selling agent under the same agreement are described under "Plan of Distribution."

You may contact our servicing agent with any questions about the notes at the following address and telephone number:

Sumner Harrington Ltd.
11100 Wayzata Boulevard, Suite 170
Minneapolis, MN 55305
Telephone: (800) 234-5777
Fax: (952) 546-5585

BOOK-ENTRY REGISTRATION AND TRANSFER. The notes are issued in book entry form, which means that no physical note is created. Evidence of your ownership is provided by written confirmation. Except under limited circumstances described below, holders will not receive or be entitled to receive any physical delivery of a certificated security or negotiable instrument that evidences their notes. The issuance and transfer of notes will be accomplished exclusively through the crediting and debiting of the appropriate accounts in our book-entry registration and transfer system. Our servicing agent will maintain the book-entry system.

The holders of the accounts established upon the purchase or transfer of notes will be deemed to be the owners of the notes under the indenture. The holder of the notes must rely upon the procedures established by the trustee to exercise any rights of a holder of notes under the indenture. Our servicing agent will regularly provide the trustee with information regarding the establishment of new accounts and the transfer of existing accounts.

Our servicing agent will also regularly provide the trustee with information regarding the total amount of any principal and/or interest due to holders with regard to the notes on any interest payment date or upon redemption.

On each interest payment date, the servicing agent will credit interest due on each account and direct payments to the holders. The servicing agent will determine the interest payments to be made to the book-entry accounts and maintain, supervise and review any records relating to book-entry beneficial interests in the notes.

Book-entry notations in the accounts evidencing ownership of the notes are exchangeable for actual notes in principal denominations of $1,000 and any amount in excess of $1,000 and fully registered in those names as we direct only if:

- we, at our option, advise the trustee in writing of our election to terminate the book-entry system, or
- after the occurrence of an event of default under the indenture, holders of more than 50% of the aggregate outstanding principal amount of the notes advise the trustee in writing that the continuation of a book-entry system is no longer in the best interests of the holders of notes and the trustee notifies all registered holders of the occurrence of any such event and the availability of certificated securities that evidence the notes.

Subject to the exceptions described above, the book-entry interests in these securities will not be exchangeable for fully registered certificated notes.

RESCISSION RIGHT. A purchaser of notes has the right to rescind his or her investment, without penalty, upon written request to our servicing agent within five business days from the postmark date of the purchase confirmation (but not upon transfer or automatic renewal of a note). You will not earn interest on any rescinded note. We will promptly return any funds sent with a subscription agreement that is properly rescinded. A written request for rescission, if personally delivered or delivered via electronic transmission, must be received by our servicing agent on or prior to the fifth business day following the mailing of written confirmation by us of the acceptance of your subscription. If mailed, the written request for rescission must be postmarked on or before the fifth business day following the mailing of such written confirmation by us.

In addition, if your subscription agreement is accepted by our servicing agent at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the Securities and Exchange Commission, but such post-effective amendment has not yet been declared effective, our servicing agent will send to you at your registered address a notice and a copy of the post-effective amendment once it has been declared effective. You will have the right to rescind your investment upon written request to our servicing agent within five business days from the postmark date of the notice that the post-effective amendment has been declared effective. We will promptly return any funds sent with a subscription agreement that is properly rescinded without penalty, although any interest previously paid on the notes being rescinded will be deducted from the funds returned to you upon rescission. A written request for rescission, if personally delivered or delivered via electronic transmission, must be received by our servicing agent on or prior to the fifth business day following the mailing of the notice that the post-effective amendment has been declared effective. If mailed, the written request for rescission must be postmarked on or before the fifth business day following the mailing of such notice.

The limitations on the amount of notes that can be redeemed early in a single calendar quarter described under "- Redemption or Repurchase Prior to Stated Maturity" below do not affect your rescission rights.

RIGHT TO REJECT SUBSCRIPTIONS. Our servicing agent may reject any subscription for notes in its sole discretion. If a subscription for notes is rejected, we will promptly return any funds sent with that subscription, without interest.

RENEWAL OR REDEMPTION ON MATURITY. Approximately 15, but not less than 10 days prior to maturity of your note, our servicing agent will send you a notice at your registered address indicating that your note is about to mature and whether we will allow automatic renewal of your note. If we allow you to renew your note, our servicing agent will also send to you a current interest rate supplement and a current prospectus or prospectus supplement if the prospectus has changed since the delivery of this prospectus in connection with your original subscription or any prior renewal. The interest rate supplement

will set forth the interest rates then in effect. The notice will recommend that you review the prospectus and any prospectus supplement, along with the interest rate supplement, prior to exercising one of the below options. If we do not send you a new prospectus, a new prospectus will be sent to you upon request. Unless the election period is extended as described below, you will have until 15 days after the maturity date to exercise one of the following options:

- You can do nothing, in which case your note will automatically renew for a new term equal to the original term at the interest rate in effect at the time of renewal. If your note pays interest only at maturity, all accrued interest will be added to the principal amount of your note upon renewal. For notes with other payment options, interest will be paid on the renewed note on the same schedule as the original note.

- You can elect repayment of your note, in which case the principal amount will be repaid in full along with any accrued but unpaid interest. If you choose this option, your note will not earn interest on or after the maturity date.

- You can elect repayment of your note and use all or part of the proceeds to purchase a new note with a different term or principal amount. To exercise this option, you will need to complete a subscription agreement for the new note and mail it along with your request to our servicing agent. The issue date of the new note will be the maturity date of the old note. Any proceeds from the old note that are not applied to the new note will be sent to you.

- If your note pays interest only at maturity, you can receive the accrued interest that you have earned during the note term just ended while allowing the principal amount of your note to roll over and renew for the same term at the interest rate then in effect. To exercise this option, you will need to call, fax or send a written request to our servicing agent.

The foregoing options will be available to holders until termination or redemption under the indenture and the notes by either the holder or us. Interest will accrue from the first day of each renewed term. Each renewed note will retain all its original provisions, including provisions relating to payment, except that the interest rate payable during any renewal term will be the interest rate that is being offered at that time to other holders with similar aggregate note portfolios for notes of the same term as set forth in the interest rate supplement delivered with the maturity notice. If similar notes are not then being offered, the interest rate upon renewal will be the rate specified by us on or before the maturity date, or the rate of the existing note if no such rate is specified.

If we notify the holder of our intention to repay a note at maturity, we will pay the holder the principal amount and any accrued but unpaid interest on the stated maturity date. Similarly, if, within 15 days after a note's stated maturity date (or during any applicable extension of the 15 day period, as described below), the holder requests repayment with respect to a note, we will pay the holder the principal amount of the note plus accrued but unpaid interest up to, but not including, the note's stated maturity date. In the event that a holder's regularly scheduled interest payment date falls after the maturity date of the note but before the date on which the holder requests repayment, the holder may receive interest payments that include interest for periods after the maturity date of the note. If this occurs, the excess interest will be deducted from our final payment of the principal amount of the note to the holder. We will initiate payment to any holder timely requesting repayment by the later of the maturity date or five business days after the date on which we receive such notice from the holder. Because payment is made by ACH transfer, funds may not be received in the holder's account for 2 to 3 business days. Requests for repayment should be made to our servicing agent in writing.

We will be required from time to time to file post-effective amendments to the registration statement of which this prospectus is a part to update the information it contains. If you would otherwise be required to elect to have your notes renewed or repaid following their stated maturity at a time when we have determined that a post-effective amendment must be filed with the Securities and Exchange Commission, but such post-effective amendment has not yet been declared effective, the period during which you can elect renewal or

repayment will be automatically extended until ten days following the postmark date of a notice that will be sent to you at your registered address by the servicing agent that the post-effective amendment has been declared effective. In the event that a holder's regularly scheduled interest payment date falls after the maturity date of the note but before the date on which the holder requests repayment, the holder may receive an interest payment that includes interest for periods after the maturity date of the note. If this occurs, the excess interest will be deducted from our final payment of the principal amount of the note to the holder. All other provisions relating to the renewal or redemption of notes upon their stated maturity described above shall remain unchanged.

REDEMPTION OR REPURCHASE PRIOR TO STATED MATURITY. The notes may be redeemed prior to stated maturity only as set forth in the indenture and described below. The holder has no right to require us to prepay or repurchase any note prior to its maturity date as originally stated or as it may be extended, except as indicated in the indenture and described below.

REDEMPTION BY US. We have the right to redeem any note at any time prior to its stated maturity upon 30 days written notice to the holder of the note. The holder of the note being redeemed will be paid a redemption price equal to the outstanding principal amount thereof plus but accrued and unpaid interest up to but not including the date of redemption without any penalty or premium. We may use any criteria we choose to determine which notes we will redeem if we choose to do so. We are not required to redeem notes on a pro rata basis.

REPURCHASE ELECTION UPON DEATH OR TOTAL PERMANENT DISABILITY. Notes may be repurchased prior to maturity, in whole and not in part, at the election of a holder who is a natural person (including notes held in an individual retirement account), by giving us written notice within 45 days following the holder's total permanent disability, as established to our satisfaction, or at the election of the holder's estate, by giving written notice within 45 days following his or her death. Subject to the limitations described below, we will repurchase the notes within 10 days after the later to occur of the request for repurchase or the establishment to our satisfaction of the holder's death or total permanent disability. The repurchase price, in the event of such a death or total permanent disability, will be the principal amount of the notes, plus interest accrued and not previously paid up to but not including the date of repurchase. If spouses are joint registered holders of a note, the right to elect to have us repurchase will apply when either registered holder dies or suffers a total permanent disability. If the note is held jointly by two or more persons who are not legally married, none of these persons will have the right to request that we repurchase the notes unless all joint holders have either died or suffered a total permanent disability. If the note is held by a person who is not a natural person such as a trust, partnership, corporation or other similar entity, the right to request repurchase upon death or total permanent disability does not apply.

REPURCHASE AT REQUEST OF HOLDER. In addition to the right to elect repurchase upon death or total permanent disability, a holder may request that we repurchase one or more of the holders' notes prior to maturity, in whole and not in part, at any time by giving us written notice. Subject to approval, at our sole discretion, and the limitations described below, we will repurchase the holder's note(s) specified in the notice within 10 days of receipt of the notice. The repurchase price, in the event we elect to repurchase the notes, will be the principal amount of the note, plus interest accrued and not previously paid (up to but not including the date of repurchase), minus a repurchase penalty. The early repurchase penalty for a note with a three month maturity is the interest accrued on such note up to the date of repurchase, not to exceed three months of simple interest at the existing rate. The early repurchase penalty for a note with a maturity of six months or longer is the interest accrued on such note up to the date of repurchase, not to exceed six months of simple interest at the existing rate. The penalty for early repurchase may be waived or reduced at the limited discretion of our servicing agent.

LIMITATIONS ON REQUIREMENTS TO REPURCHASE. Our obligation to repurchase notes prior to maturity for any reason will be subject to a calendar quarter limit equal to the greater of $1 million of aggregate principal amount for all holders or 2% of the total principal amount of all notes outstanding at the end of the previous calendar quarter. This limit includes any notes we repurchase upon death or total permanent disability of the holder and any notes that we repurchase pursuant to the holders' right to elect repurchase. Repurchase requests will be honored in the order in which they are received, to the extent

possible, and any repurchase request not honored in a calendar quarter will be honored in the next calendar quarter, to the extent possible, since repurchases in the next calendar quarter are also subject to the same calendar quarter limitation. For purposes of determining the order in which repurchase requests are received, a repurchase request will be deemed made on the later of the date on which it is received by us or, if applicable, the date on which the death or total permanent disability is established to our reasonable satisfaction.

MODIFICATIONS TO REPURCHASE POLICY. We may modify the policies on repurchase in the future. No modification will affect the right of repurchase applicable to any note outstanding at the time of any such modification.

TRANSFERS. The notes are not negotiable debt instruments and, subject to certain exceptions, will be issued only in book-entry form. The purchase confirmation issued upon our acceptance of a subscription is not a certificated security or negotiable instrument, and no rights of record ownership can be transferred without our prior written consent. Ownership of notes may be transferred on the servicing agent's register only as follows:

- The holder must deliver written notice requesting a transfer to our servicing agent signed by the holder(s) or such holder's duly authorized representative on a form to be supplied by our servicing agent.
- We must provide our written consent to the proposed transfer.
- We or our servicing agent may require a legal opinion from counsel satisfactory to the servicing agent that the proposed transfer will not violate any applicable securities laws.
- We or our servicing agent may require a signature guarantee in connection with such transfer.

Upon transfer of a note, our servicing agent will provide the new holder of the note with a purchase confirmation that will evidence the transfer of the account on our servicing agent's records. We or our servicing agent may charge a reasonable service charge in connection with the transfer of any note.

QUARTERLY STATEMENTS. Our servicing agent will provide holders of the notes with quarterly statements, which will indicate, among other things, the account balance at the end of the quarter, interest credited, redemptions or repurchases made, if any, and the interest rate paid during the quarter. These statements will be mailed not later than the 10th business day following the end of each calendar quarter. Our servicing agent may charge such holders a reasonable fee to cover the charges incurred in providing such information.

SUBORDINATION. The indebtedness evidenced by the notes, and any interest thereon, is subordinated in right of payment to all of our senior debt, including indebtedness held by our subsidiaries that are special purpose entities. "Senior debt" means all of our secured, unsecured, senior or subordinate indebtedness, as well as other financial obligations of the company, whether outstanding on the date of this prospectus or incurred after the date of this prospectus, whether such indebtedness is or is not specifically designated as being senior debt in its defining instruments, other than (i) existing outstanding unsecured subordinated indebtedness in the amount of $15 million, and (ii) any future offerings of additional renewable unsecured subordinated notes, both of which will rank equally with the notes. Any documents, agreements or instruments evidencing or relating to any senior debt may be amended, restated, supplemented and/or renewed from time to time without requiring any notice to or consent of any holder of notes or any person or entity acting on behalf of any such holder or the trustee.

The indenture does not prevent holders of senior debt from disposing of, or exercising any other rights with respect to, any or all of the collateral securing the senior debt. As of September 30, 2004, we had approximately $583.5 million of debt outstanding that is senior to the notes, of which $477.9 million was issued by our consolidated special purpose entities. Including an additional $243.3 million of debt that does not appear on our consolidated financial statements (which is issued by our off-balance sheet special purpose entities), we had $826.8 million of debt outstanding that was senior to your notes

Except for certain limited restrictions, the terms of the notes or the indenture do not impose any limitation on the amount of senior debt or other indebtedness we may incur, although our existing senior debt agreements may restrict us from incurring new senior debt. See "Risk Factors - Risk Factors Relating to the Notes - You Lack Priority in Payment on the Notes."

The notes are not guaranteed by any of our subsidiaries, affiliates or control persons. Accordingly, in the event of a liquidation or dissolution of one of our subsidiaries, creditors of that subsidiary will be paid in full, or provision for such payment will be made, from the assets of that subsidiary prior to distributing any remaining assets to us as a shareholder of that subsidiary. Therefore, in the event of liquidation or dissolution of a subsidiary, no assets of that subsidiary may be used to make payment to the holders of the notes until the creditors of that subsidiary are paid in full from the assets of that subsidiary.

In the event of any liquidation, dissolution or any other winding up of us, or of any receivership, insolvency, bankruptcy, readjustment, reorganization or similar proceeding under the U.S. Bankruptcy Code or any other applicable federal or state law relating to bankruptcy or insolvency, or during the continuation of any event of default on the senior debt, no payment may be made on the notes until all senior debt has been paid in full or provision for such payment has been made to the satisfaction of the senior debt holders. If any of the above events occurs, holders of senior debt may also submit claims on behalf of holders of the notes and retain the proceeds for their own benefit until they have been fully paid, and any excess will be turned over to the holders of the notes. If any distribution is nonetheless made to holders of the notes, the money or property distributed to them must be paid over to the holders of the senior debt to the extent necessary to pay senior debt in full.

We will not make any payment, direct or indirect (whether for interest, principal, as a result of any redemption or repurchase at maturity, on default, or otherwise), on the notes and any other indebtedness being subordinated to the payment of the notes, and neither the holders of the notes nor the trustee will have the right, directly or indirectly, to sue to enforce the indenture or the notes, if a default or event of default under any senior debt has occurred and is continuing, or if any default or event of default under any senior debt would result from such payment, in each case unless and until:

- the default has been cured or waived or has ceased to exist; or
- the end of the period commencing on the date the trustee receives written notice of default from a holder of the senior debt and ending on the earlier of
  - 179 days after the trustee's receipt of the notice of default;
  - the trustee's receipt of a valid waiver of default from the holder of senior debt; or
  - the trustee's receipt of a written notice from the holder of senior debt terminating the payment blockage period.

NO SECURITY; NO SINKING FUND. The notes are unsecured, which means that none of our tangible or intangible assets or property, nor any of the assets or property of any of our subsidiaries, has been set aside or reserved to make payment to the holders of the notes in the event that we default on our obligations to the holders. In addition, we will not contribute funds to any separate account, commonly known as a sinking fund, to repay principal or interest due on the notes upon maturity or default. See "Risk Factors - Risk Factors Relating to the Notes - The Notes will have No Sinking Fund, Security, Insurance or Guarantee."

RESTRICTIVE COVENANTS. The indenture contains certain limited restricted covenants that require us to maintain certain financial standards and restrict us from certain actions as set forth below.

The indenture provides that, so long as the notes are outstanding:

- we will maintain a positive net worth, which includes stockholder's equity and any of our debt that is subordinate to the notes;
- we will not declare or pay any dividends or other payments of cash or other property to our stockholders (other than a dividend paid in shares of our capital stock on a pro rata basis to all our stockholders) unless no default and no event of default with respect to the notes exists or would exist immediately following the declaration or payment of the dividend or other payment; and

- we will not guarantee, endorse or otherwise become liable for any obligations of any of our control persons, or other parties controlled by or under common control with any of our control persons, provided however, that we and our subsidiaries may make investments in and guarantee the obligations of our special purpose entities.

See "Risk Factors - Risk Factors Relating to the Notes - You Will Have Only Limited Protection Under the Indenture."

CONSOLIDATION, MERGER OR SALE. The indenture generally permits a consolidation or merger between us and another entity. It also permits the sale or transfer by us of all or substantially all of our property and assets. These transactions are permitted if:

- the resulting or acquiring entity, if other than us, is a United States corporation, limited liability company or limited partnership and assumes all of our responsibilities and liabilities under the indenture, including the payment of all amounts due on the notes and performance of the covenants in the indenture; and

- immediately after the transaction, and giving effect to the transaction, no event of default under the indenture exists.

If we consolidate or merge with or into any other entity or sell or lease all or substantially all of our assets, according to the terms and conditions of the indenture, the resulting or acquiring entity will be substituted for us in the indenture with the same effect as if it had been an original party to the indenture. As a result, the successor entity may exercise our rights and powers under the indenture, in our name and we will be released from all our liabilities and obligations under the indenture and under the notes.

EVENTS OF DEFAULT. The indenture provides that each of the following constitutes an event of default:

- failure to pay interest on a note within 15 days after the due date for such payment (whether or not prohibited by the subordination provisions of the indenture);

- failure to pay principal on a note within 10 days after the due date for such payment (whether or not prohibited by the subordination provisions of the indenture);

- our failure to observe or perform any material covenant, condition or agreement or our breach of any material representation or warranty, but only after we have been given notice of such failure or breach and such failure or breach is not cured within 30 days after our receipt of notice;

- defaults in certain of our other financial obligations that are not cured within 30 days; and

- certain events of bankruptcy or insolvency with respect to us.

If any event of default occurs and is continuing (other than an event of default involving certain events of bankruptcy or insolvency with respect to us), the trustee or the holders of at least a majority in principal amount of the then outstanding notes may by notice to us declare the unpaid principal of and any accrued interest on the notes to be due and payable immediately. So long as any senior debt is outstanding, however, and a payment blockage on the notes is in effect, a declaration of this kind will not be effective, and neither the trustee nor the holders of notes may enforce the indenture or the notes, except as otherwise set forth above in "- Subordination". In the event senior debt is outstanding and no payment blockage on the notes is in effect, a declaration of this kind will not become effective until the earlier of:

- the day which is five business days after the receipt by us and the holders of senior debt of such written notice of acceleration; or

- the date of acceleration of any senior debt.

In the case of an event of default arising from certain events of bankruptcy or insolvency, with respect to us, all outstanding notes will become due and payable without further action or notice.

Holders of the notes may not enforce the indenture or the notes except as provided in the indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding notes may direct the trustee in its exercise of any trust power. The trustee may withhold from holders of the notes notice of any continuing default or event of default (except a default or event of default relating to the payment of principal or interest on the notes) if the trustee in good faith determines that withholding notice would have no material adverse effect on the holders.

The holders of a majority in aggregate principal amount of the notes then outstanding by notice to the trustee may, on behalf of the holders of all of the notes, waive any existing default or event of default and its consequences under the indenture, except:

- a continuing default or event of default in the payment of interest on, or the principal of, a note held by a non-consenting holder; or
- a waiver that would conflict with any judgment or decree.

We are required to deliver to the trustee within 120 days of the end of our fiscal year a certificate regarding compliance with the indenture, and we are required, upon becoming aware of any default or event of default, to deliver to the trustee a certificate specifying such default or event of default and what action we are taking or propose to take with respect to the default or event of default.

AMENDMENT, SUPPLEMENT AND WAIVER. Except as provided in this prospectus or the indenture, the terms of the indenture or the notes then outstanding may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any existing default or compliance with any provision of the indenture or the notes may be waived with the consent of the holders of a majority in principal amount of the then outstanding notes.

Notwithstanding the foregoing, an amendment or waiver will not be effective with respect to the notes held by a holder who has not consented if it has any of the following consequences:

- reduces the aggregate principal amount of notes whose holders must consent to an amendment, supplement or waiver;
- reduces the principal of or changes the fixed maturity of any note or alters the repurchase or redemption provisions or the price at which we shall offer to repurchase or redeem the note;
- reduces the rate of or changes the time for payment of interest, including default interest, on any note;
- waives a default or event of default in the payment of principal or interest on the notes, except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the then outstanding notes and a waiver of the payment default that resulted from such acceleration;.
- makes any note payable in money other than that stated in this prospectus;
- makes any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of notes to receive payments of principal of or interest on the notes;
- makes any change to the subordination provisions of the indenture that has a material adverse effect on holders of notes;

- modifies or eliminates the right of the estate of a holder or a holder to cause us to repurchase a note upon the death or total permanent disability of a holder; or

- makes any change in the foregoing amendment and waiver provisions.

Notwithstanding the foregoing, without the consent of any holder of the notes, we and the trustee may amend or supplement the indenture or the notes:

- to cure any ambiguity, defect or inconsistency;

- to provide for assumption of our obligations to holders of the notes in the case of a merger, consolidation or sale of all or substantially all of our assets;

- to provide for additional uncertificated or certificated notes;

- to make any change that does not adversely affect the legal rights under the indenture of any such holder, including but not limited to an increase in the aggregate dollar amount of notes which may be outstanding under the indenture;

- to modify our policy regarding repurchases elected by a holder of notes prior to maturity and our policy regarding repurchase of the notes prior to maturity upon the death or total permanent disability of any holder of the notes, but such modifications shall not materially adversely affect any then outstanding notes; or

- to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act.

THE TRUSTEE. Wells Fargo Bank, National Association has agreed to be the trustee under the indenture. The indenture contains certain limitations on the rights of the trustee, should it become one of our creditors, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any claim as security or otherwise. The trustee will be permitted to engage in other transactions with us.

Subject to certain exceptions, the holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee. The indenture provides that in case an event of default specified in the indenture shall occur and not be cured, the trustee will be required, in the exercise of its power, to use the degree of care of a reasonable person in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless the holder shall have offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

RESIGNATION OR REMOVAL OF THE TRUSTEE. The trustee may resign at any time, or may be removed by the holders of a majority of the aggregate principal amount of the outstanding notes. In addition, upon the occurrence of contingencies relating generally to the insolvency of the trustee or the trustee's ineligibility to serve as trustee under the Trust Indenture Act of 1939, as amended, we may remove the trustee. However, no resignation or removal of the trustee may become effective until a successor trustee has accepted the appointment as provided in the indenture.

REPORTS TO TRUSTEE. Our servicing agent will provide the trustee with quarterly reports containing any information reasonably requested by the trustee. These quarterly reports will include information on each note outstanding during the preceding quarter, including outstanding principal balance, interest credited and paid, transfers made, any redemption or repurchase and interest rate paid.

NO PERSONAL LIABILITY OF OUR OR OUR SERVICING AGENT'S DIRECTORS, OFFICERS, EMPLOYEES AND STOCKHOLDERS. No director, officer, employee, incorporator or stockholder of ours or our servicing agent, will have any liability for any of our obligations under the notes, the indenture or for any claim based on, in respect to, or by reason of, these obligations or their creation. Each holder of the notes waives and releases these persons from any

liability, including any liability arising under applicable securities laws. The waiver and release are part of the consideration for issuance of the notes. We have been advised that the waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

SERVICE CHARGES. We and our servicing agent may assess service charges for changing the registration of any note to reflect a change in name of the holder, multiple changes in interest payment dates or transfers (whether by operation of law or otherwise) of a note by the holder to another person.

ADDITIONAL SECURITIES. We may offer additional classes of securities with terms and conditions different from the notes currently being offered in this prospectus. We will amend or supplement this prospectus if and when we decide to offer to the public any additional class of security under this prospectus. If we sell the entire principal amount of notes offered in this prospectus, we may register and sell additional notes by amending this prospectus, but we are under no obligation to do so.

VARIATIONS BY STATE. We may offer different securities and vary the terms and conditions of the offer (including, but not limited to, different interest rates and service charges for all notes) depending upon the state where the purchaser resides.

INTEREST WITHHOLDING. We will withhold 28% (which rate is scheduled to increase to 31% for payments made after December 31, 2010) of any interest paid to any investor who has not provided us with a social security number, employer identification number, or other satisfactory equivalent in the subscription agreement (or another document) or where the Internal Revenue Service has notified us that backup withholding is otherwise required. Please read "Material Federal Income Tax Consequences - Reporting and Backup Withholding."

LIQUIDITY. There is not currently a trading market for the notes, and we do not expect that a trading market for the notes will develop.

SATISFACTION AND DISCHARGE OF INDENTURE. The indenture shall cease to be of further effect upon the payment in full of all of the outstanding notes and the delivery of an officer's certificate to the trustee stating that we do not intend to issue additional notes under the indenture or, with certain limitations, upon deposit with the trustee of funds sufficient for the payment in full of all of the outstanding notes.

REPORTS. We currently publish annual reports containing financial statements and quarterly reports containing financial information for the first three quarters of each fiscal year. We will send copies of these reports, at no charge, to any holder of notes who sends a written request to:

Consumer Portfolio Services, Inc.
16355 Laguna Canyon Road
Irvine, California 92618
Attention: Corporate Secretary
(949) 753-6800.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is our counsel's opinion of the material federal income tax consequences relating to the ownership and disposition of the notes. The discussion is based upon the current provisions of the Internal Revenue Code of 1986, as amended, regulations issued under the Internal Revenue Code and judicial or ruling authority, all of which are subject to change that may be applied retroactively. The discussion assumes that the notes are held as capital assets and does not discuss the federal income tax consequences applicable to all categories of investors, some of which may be subject to special rules such as banks, tax-exempt organizations, insurance companies, dealers in securities or currencies, persons that will hold notes as a position in a hedging, straddle or conversion transactions, or persons that have a functional currency other than the U.S. dollar. If a partnership holds notes, the tax treatment of a partner will generally depend on the status of the partner and on the activities of the partnership. In addition, it does not deal with holders other than original purchasers. You are urged to consult your own tax advisor to determine the specific federal, state, local and any other tax consequences applicable to you relating to your ownership and disposition of the notes.

INTEREST INCOME ON THE NOTES

Subject to the discussion below applicable to "non-U.S. holders," interest paid on the notes will generally be taxable to you as ordinary income as the income is paid if you are a cash method taxpayer or as the income accrues if you are an accrual method taxpayer.

However, a note with a term of one year or less, which we refer to in this discussion as a "short-term note," will be treated as having been issued with original issue discount or "OID" for tax purposes equal to the total payments on the note over its issue price. If you are a cash method holder of a short-term note you are not required to include this OID as income currently unless you elect to do so. Cash method holders who make that election and accrual method holders of short-term notes are generally required to recognize the OID in income currently as it accrues on a straight-line basis unless the holder elects to accrue the OID under a constant yield method. Under a constant yield method, you generally would be required to include in income increasingly greater amounts of OID in successive accrual periods.

Cash method holders of short-term notes who do not include OID in income currently will generally be taxed on stated interest at the time it is received and will treat any gain realized on the disposition of a short-term note as ordinary income to the extent of the accrued OID generally reduced by any prior payments of interest. In addition, these cash method holders will be required to defer deductions for certain interest paid on indebtedness related to purchasing or carrying the short-term notes until the OID is included in the holder's income.

There are also some situations in which a cash basis holder of a note having a term of more than one year may have taxable interest income with respect to a note before any cash payment is received with respect to the note. If you report income on the cash method and you hold a note with a term longer than one year that pays interest only at maturity, you generally will be required to include OID accrued during the original term (without regard to renewals) as ordinary gross income as the OID accrues. OID accrues under a constant yield method, as described above.

TREATMENT OF DISPOSITIONS OF NOTES

Upon the sale, exchange, retirement or other taxable disposition of a note, you will recognize gain or loss in an amount equal to the difference between the amount realized on the disposition and your adjusted tax basis in the note. Your adjusted tax basis of a note generally will equal your original cost for the note, increased by any accrued but unpaid interest (including OID) you previously included in income with respect to the note and reduced by any principal payments you previously received with respect to the note. Any gain or loss will be capital gain or loss, except for gain representing accrued interest not previously included in your income. This capital gain or loss will be short-term or long-term capital gain or loss, depending on whether the note had been held for more than one year or for one year or less.

NON-U.S. HOLDERS

Generally, if you are a nonresident alien individual or a non-U.S. corporation and do not hold the note in connection with a United States trade or business, interest paid and OID accrued on the notes will be treated as "portfolio interest" and therefore will be exempt from a 30% United States withholding tax. In that case, you will be entitled to receive interest payments on the notes free of United States federal income tax provided that you periodically provide a statement on applicable IRS forms certifying under penalty of perjury that you are not a United States person and provide your name and address. In addition, in that case you will not be subject to United States federal income tax on gain from the disposition of a note unless you are an individual who is present in the United States for 183 days or more during the taxable year in which the disposition takes place and certain other requirements are met. Interest paid and accrued OID paid to a non-U.S. person are not subject to withholding if they are effectively connected with a United States trade or business conducted by that person and we are provided a properly executed IRS Form W-8ECI. They will, however, generally be subject to the regular United States income tax.

REPORTING AND BACKUP WITHHOLDING

We will report annually to the Internal Revenue Service and to holders of record that are not excepted from the reporting requirements any information that may be required with respect to interest or OID on the notes.

Under certain circumstances, as a holder of a note, you may be subject to "backup withholding" at a 28% rate. After December 31, 2010, the backup withholding rate is scheduled to increase to 31%. Backup withholding may apply to you if you are a United States person and, among other circumstances, you fail to furnish on IRS Form W-9 or a substitute Form W-9 your Social Security number or other taxpayer identification number to us. Backup withholding may apply, under certain circumstances, if you are a non-U.S. person and fail to provide us with the statement necessary to establish an exemption from federal income and withholding tax on interest on the note. Backup withholding, however, does not apply to payments on a note made to certain exempt recipients, such as corporations and tax-exempt organizations, and to certain non-U.S. persons. Backup withholding is not an additional tax and may be refunded or credited against your United States federal income tax liability, provided that you furnish certain required information.

This federal tax discussion is included for general information only and may not be applicable depending upon your particular situation. You are urged to consult your own tax advisor with respect to the specific tax consequences to you of the ownership and disposition of the notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in federal or other tax laws.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a distribution and management agreement between us and Sumner Harrington Ltd., Sumner Harrington Ltd. has agreed to serve as our selling agent and to use its best efforts to sell the notes on the terms set forth in this prospectus. The selling agent is not obligated to sell any minimum amount of notes or to purchase any of the notes.

The selling agent proposes to offer the notes to the public on our behalf on the terms set forth in this prospectus and the prospectus supplements that we file from time to time. The selling agent plans to market the notes directly to the public through newspaper, radio, internet, direct mail and other advertising. In addition, our selling agent will manage certain administrative and customer service functions relating to the notes, including handling all inquiries from potential investors, mailing investment kits, meeting with investors, processing subscription agreements and responding to all written and telephonic questions relating to the notes. Upon prior written notice to the selling agent, we may elect to use a different selling agent or perform these duties ourselves. The selling agent's servicing responsibilities are described under "Description of the Notes - Servicing Agent."

We have agreed to reimburse the selling agent for its out-of-pocket expenses incurred in connection with the offer and sale of the notes, including document fulfillment expenses, legal and accounting fees, regulatory fees and due diligence expenses. Under the terms of the distribution and management agreement, we also will pay our selling agent a commission equal to 3.00% of the principal amount of all notes sold. For notes with maturities of three years or more, the entire 3.00% commission will be paid to the selling agent at the time of issuance and no additional commission will be paid upon renewal. For notes with maturities of less than three years, the gross 3.00% commission will be paid in PRO RATA installments upon the original issuance and each renewal, if any, over the first three years. Accordingly, the selling agent will not receive the entire 3.00% gross commission on notes with terms of less than three years unless the notes are successively renewed for three years. The selling agent may engage or allow selected brokers or dealers to sell notes for a commission, at no additional cost to us.

Under the distribution and management agreement, we have also agreed to pay Sumner Harrington Ltd. an annual portfolio management fee equal to 0.25% of the weighted average principal balance of the notes outstanding for its services as servicing agent. See "Description of the Notes - Servicing Agent." The amount of this fee will depend upon a number of variables, including the pace at which notes are sold, the terms of the notes sold and whether the notes are redeemed or repurchased.

The distribution and management agreement may be terminated by either us or Sumner Harrington Ltd. upon giving prior notice.

The selling agent and we have engaged Sumner Harrington Agency, Inc., an advertising and marketing subsidiary of Sumner Harrington Ltd., to directly provide or manage the advertising and marketing functions related to the sale of the notes. These services include media planning, media buying, creative and copy development, direct mail services, literature fulfillment, commercial printing, list management, list brokering, and other similar activities. Sumner Harrington Agency, Inc. is compensated directly by us or its sub-service providers for these advertising and marketing services. This compensation is consistent with accepted normal advertising and marketing industry standards for similar services.

The selling agent and its affiliate will only be compensated to the extent that notes are sold in the offering. The table below summarizes the estimated amounts of compensation or reimbursement that we will pay the selling agent and its affiliate for services rendered in offering and selling the notes, serving as the servicing agent, and providing and managing the advertising and marketing functions related to the sale of the notes. In no event will the total commissions exceed 3% of the aggregate principal amount of the notes. The remaining line items are estimates and while actual costs may differ from the percentages and amounts shown in the table, the total cost of these line items is limited to 5% of the aggregate principal amount of the notes. In no event will the total commission plus the total cost of the remaining line items exceed 8% of the aggregate principal amount of the notes.

Compensation and Reimbursement	% of Offering	Amount(1)
Total commissions	3.00%	$3,000,000(2)
Selling agent's legal counsel fees		
Document fulfillment expenses		
Regulatory fees		
Annual portfolio management fee		
Media placement and management fee		

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(1) All amounts assume the sale of 100% of aggregate principal amount of notes offered and represent the maximum possible amount payable to the selling agent or its affiliate over the entire term of the offering. If less than 100% of the aggregate principal amount of the notes are sold in the offering, the amounts actually paid to the agent or its affiliate for commissions and annual portfolio management fees will be less.

(2) Assumes that each note with a term of less than three years is successively renewed for a total of three years.

The distribution and management agreement provides for reciprocal indemnification between us and the selling agent, including the selling agent's and our officers, directors and controlling persons, against civil liabilities in connection with this offering, including certain liabilities under the Securities Act of 1933, as amended. Insofar as indemnification for liabilities arising under the Securities Act may be permitted pursuant to such indemnification provisions, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Prior to the offering, there has been no public market for the notes. We do not intend to list the notes on any securities exchange or include them for quotation on Nasdaq. The selling agent is not obligated to make a market in the notes and does not intend to do so. We do not anticipate that a secondary market for the notes will develop.

The foregoing is a summary of the material provisions relating to selling and distribution of the notes in the distribution and management agreement. The provisions of the distribution and management agreement relating to our retention of Sumner Harrington Ltd. to act as our servicing agent in performing our ongoing administrative responsibilities for the notes are described under "Description of the Notes." The distribution and management agreement has been filed as an exhibit to an amendment to the registration statement of which this prospectus is a part.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference into this prospectus is an important part of this prospectus. Specifically, we are incorporating by reference the documents listed below:

- Our Annual Report on Form 10-K for the year ended December 31, 2003;
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 2004; and
- Our Current Reports on Form 8-K and Form 8-K/A filed March 19, April 19, May 10, June 3, August 3, October 6, October 21, October 26, and November 19, 2004

You should rely only on the information we include or incorporate by reference in this prospectus and any applicable prospectus supplement. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. The information contained in this prospectus and any applicable prospectus supplement is accurate only as of the date on the front of those documents, regardless of the time of delivery of this prospectus or the applicable prospectus supplement or of any sale of our securities.

Any statement contained in this prospectus or in a document incorporated by reference in this prospectus is deemed to be modified or superseded for purposes of this prospectus to the extent that any of the following modifies or supersedes a statement in this prospectus or incorporated by reference in this prospectus:

- in the case of a statement in a previously filed document incorporated by reference in this prospectus, a statement contained in this prospectus;
- a statement contained in any accompanying prospectus supplement relating to a specific offering of notes; or
- a statement contained in any other subsequently filed document that is also incorporated by reference in this prospectus.

Any modified or superseded statement will not be deemed to constitute a part of this prospectus or any accompanying prospectus supplement, except as modified or superseded. Except as provided by the above mentioned exceptions, all information appearing in this prospectus and each accompanying prospectus supplement is qualified in its entirety by the information appearing in the documents incorporated by reference.

A copy of our above-mentioned Form 10-K and a copy of our latest Form 10-Q are being delivered with this prospectus. We will provide without charge to each person to whom a copy of this prospectus is delivered, upon his or her written or oral request, a copy of any or all of the documents incorporated in this prospectus by reference, other than exhibits to the documents, unless the exhibits are incorporated specifically by reference in the documents. Requests for copies should be directed to:

Consumer Portfolio Services, Inc.
16355 Laguna Canyon Road
Irvine, California 92618
Attention: Corporate Secretary
(949) 753-6800

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings are also available to the public at the SEC's web site at http://www.sec.gov.

We have also filed a registration statement on Form S-2 under the Securities Act with the SEC with respect to the notes offered by this prospectus. This prospectus has been filed as part of that registration statement. This prospectus does not contain all of the information set forth in the registration statement because parts of the registration statement are omitted in accordance with the rules and regulations of the SEC. The registration statement is available for inspection and copying as set forth above.

LEGAL MATTERS

Certain legal matters in connection with the notes will be passed upon for us by Andrews Kurth LLP, Dallas, Texas. Certain legal matters in connection with the notes will be passed upon for Sumner Harrington Ltd. by Oppenheimer Wolff & Donnelly LLP, Minneapolis, Minnesota.

EXPERTS

The consolidated financial statements of Consumer Portfolio Services, Inc. as of December 31, 2003 and 2002, and for each of the years in the three-year period ended December 31, 2003, have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

GLOSSARY

ASSET-BACKED SECURITIES -- Securities that are backed by financial assets, such as automobile contracts and loans.

CREDIT ENHANCEMENT -- Credit enhancement refers to a mechanism that is intended to protect the holders of the asset-backed securities against losses due to defaults by the obligors under the contracts.

EXCESS SPREAD CASH FLOWS -- The difference between the cash collected from contracts in a securitization or warehouse credit facility in any period and the sum of (i) the interest and principal paid to investors on the indebtedness issued in connection with the securitization or warehouse credit facility, (ii) the costs of servicing the contracts and (iii) certain other costs incurred in connection with completing and maintaining the securitization or warehousing.

MOTOR VEHICLE CONTRACT -- A retail installment sales contract or installment loan agreement secured by a new or used automobile, light-duty truck or van.

OVERCOLLATERALIZATION -- With respect to a securitization or warehouse credit facility, the excess of (a) the aggregate principal balance of the securitized or warehoused pool of motor vehicle contracts over (b) the aggregate outstanding principal amount of the related indebtedness.

SECURITIZATION OR SECURITIZED -- The process through which contracts and other receivables are accumulated or pooled and sold to a trust which issues securities representing interests in the trust to investors.

SERVICING PORTFOLIO -- All of the motor vehicle contracts that we own and that we have sold in securitizations and into our warehouse credit facilities and service in connection with the Seawest securitizations and, in each case, continue to service.

SPECIAL PURPOSE ENTITIES -- Our subsidiaries that were formed for the specific purpose of securitizing our motor vehicle contract receivables and facilitating our warehouse, residual and other financing facilities.

SPREAD ACCOUNT -- An account required by the credit enhancer of a securitization or warehouse credit facility in order to protect the credit enhancer against credit losses. Generally, excess spread cash flow from the pool of contracts is credited to the account and retained until the account balance reaches a set maximum balance. If the maximum balance set forth under the terms of a particular securitization or warehouse credit facility is attained, the excess spread cash flows and any surplus in the spread account are returned to us, our residual lenders or the purchaser of a residual interest, as the case may be. The maximum balance in a particular securitization may increase or decrease over time, and also may never be attained in any particular securitization or warehouse credit facility. Any remaining spread account balance is released to us, our residual lenders or the purchaser of a residual interest, as the case may be, upon termination of the securitization or warehouse credit facility.

WAREHOUSING -- A method in which contracts are financed by financial institutions on a short-term basis. In a warehousing arrangement, which we also refer to as a "warehouse credit facility", contracts are accumulated or pooled on a daily or less frequent basis and assigned or pledged as collateral for short-term borrowings until they are financed in a securitization.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Set forth below are expenses (other than the selling agent's commissions and expenses) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee and the NASD filing fee, the amounts set forth below are estimates and actual expenses may vary considerably from these estimates depending upon how long the notes are offered and other factors:

Securities and Exchange Commission registration fee	$ 11,770
NASD filing fee	*
Accounting fees and expenses	*
Blue Sky fees and expenses	*
Legal fees and expenses	*
Printing expenses	*
Trustee's fees and expenses	*
Selling agent's expenses and counsel fees	*
Miscellaneous	*
TOTAL	$ *

(*) To be filed by amendment

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Subsection (a) Under California law, a California corporation may eliminate or limit the personal liability of a director of 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 registrant'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 registrant's Articles of Incorporation include such provisions.

The registrant's Articles of Incorporation and Bylaws also impose a mandatory obligation upon the registrant 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 registrant.

Under Section 7.02 of the Distribution and Management Agreement filed as Exhibit 1.1 to this Registration Statement, the selling agent has agreed to indemnify, under certain conditions, CPS, its officers and directors, and persons who control CPS within the meaning of the Securities Act of 1933, as amended, against certain liabilities.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

EXHIBIT NO.	DESCRIPTION
1.1	Form of Distribution and Management Agreement
*3.1	Restated Articles of Incorporation
*3.2	Amended and Restated Bylaws
4.1	Form of Indenture
4.2	Form of Notes
*4.3	Form of Note Confirmation
*4.4	Form of Subscription Agreement
*5.1	Opinion of Andrews Kurth LLP with respect to legality of Notes
*8.1	Opinion of Andrews Kurth LLP with respect to tax matters
*10.1	1997 Long-Term Incentive Stock Plan
*10.2	Lease Agreement re Chesapeake Collection Facility
*10.3	Lease of Headquarters Building
*10.4	Partially Convertible Subordinated Note
*10.5	Warrant to Purchase 1,335,000 Shares of Common Stock
10.6	Amendment to Master Spread Account Agreement (Form 10-K dated December 31, 1999)
16.1	Letter of KPMG LLP to the Securities and Exchange Commission pursuant to Item 304(a)(3) of Regulation S-K (previously filed as Exhibit 16.1 to registrant's Form 8-K dated November 15, 2004)
*12.1	Computation of ratio of earnings to fixed charges
*21.1	Subsidiaries of the Registrant
*23.1	Consent of Andrews Kurth LLP (included in Exhibits 5.1 and 8.1)
23.2	Consent of KPMG LLP

24.1		Power of Attorney (included on signature page hereof)
25.1		Statement of Eligibility of Trustee

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* To be filed by amendment

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the 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, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The under signed regirtrant heresy undebtakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, an increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment 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.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant undertakes that it will:

(1) For determining any liability under the Securities Act, treat 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 under Rule 424(b)(1), or (4), or 497(h) under the Securities Act as part of this registration statement as of the time the Commission declared it effective.

(2) For determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

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-2 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Irvine, State of California, on January 7, 2005.

Consumer Portfolio Services, Inc.

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

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

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles E. Bradley, Jr., Robert E. Riedl and Mark Creatura, and each of them, with full power to act without the other, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstituion, for him and in his name, place and stead, in any and all capacities, to sign this Registration Statement, and any and all pre-effective and post-effective amendments thereto as well as any related registration statements (or amendment thereto) filed pursuant to Rule 462(b) promulgated by the Securities Act of 1933, as amended, and to file the same, with exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated below.

SIGNATURE	TITLE	DATE
/s/ Charles E. Bradley, Jr. - ---------- Charles E. Bradley, Jr.	Chairman of the Board of Directors, President, and Chief Executive Officer (Principal Executive Officer)	January 7, 2005
/s/ Robert E. Riedl - ---------- Robert E. Riedl	Chief Financial Officer (Principal Financial and Accounting Officer)	January 7, 2005
/s/ Thomas L. Chyrstie - ---------- Thomas L. Chrystie	Director	January 7, 2005
/s/ E. Bruce Fredrikson - ---------- E. Bruce Fredrikson	Director	January 7, 2005

SIGNATURE	TITLE	DATE
/s/ John E. McConnaughy - ----------		January 7, 2005
John E. McConnaughy	Director	
/s/ John G. Poole - ----------		January 7, 2005
John G. Poole	Director	
/s/ William B. Roberts - ----------		January 7, 2005
William B. Roberts	Director	
/s/ John C. Warner - ----------		January 7, 2005
John C. Warner	Director	
/s/ Daniel S. Wood - ----------		January 7, 2005
Daniel S. Wood	Director	

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
*1.1	Form of Distribution and Management Agreement
**3.1	Restated Articles of Incorporation
**3.2	Amended and Restated Bylaws
*4.1	Form of Indenture
*4.2	Form of Notes
**4.3	Form of Note Confirmation
**4.4	Form of Subscription Agreement
**5.1	Opinion of Andrews Kurth LLP with respect to legality of Notes
**8.1	Opinion of Andrews Kurth LLP with respect to tax matters
**10.1	1997 Long-Term Incentive Stock Plan
**10.2	Lease Agreement re: Chesapeake Collection Facility
**10.3	Lease of Headquarters Building
**10.4	Partially Convertible Subordinated Note
**10.29	Warrant to Purchase 1,335,000 Shares of Common Stock
10.32	Amendment to Master Spread Account Agreement (1)
16.1	Letter of KPMG LLP to the Securities and Exchange Commission pursuant to Item 304(a)(3) of Regulation S-K (2)
**12.1	Computation of ratio of earnings to fixed charges
**21.1	Subsidiaries of the Registrant
**23.1	Consent of Andrews Kurth LLP (included in Exhibits 5.1 and 8.1)
*23.2	Consent of KPMG LLP
*24.1	Power of Attorney (included on signature page hereof)
*25.1	Statement of Eligibility of Trustee

* Filed herewith

** To be filed by amendment

(1) Incorporated by reference from Form 10-K of the registrant dated December 31, 1999

(2) Incorporated by reference from Form 8-K of the registrant dated November 16, 2004

EXHIBIT 1.1

DISTRIBUTION AND MANAGEMENT AGREEMENT

DATED AS OF JANUARY __, 2005

CONSUMER PORTFOLIO SERVICES, INC.

AND

SUMNER HARRINGTON LTD.

$100,000,000.00

RENEWABLE UNSECURED SUBORDINATED NOTES

TABLE OF CONTENTS

DISTRIBUTION AND MANAGEMENT AGREEMENT

THIS DISTRIBUTION AND MANAGEMENT AGREEMENT is entered into as of this ___ day of January, 2005 by and between Consumer Portfolio Services, Inc., a California corporation (the "Company"), and Sumner Harrington Ltd., a Minnesota corporation (the "Agent").

RECITALS

WHEREAS, the Company proposes to register and publicly offer and sell an aggregate principal amount of up to $100,000,000.00 of renewable, unsecured, subordinated notes of the Company; and

WHEREAS, subject to the termination rights set forth herein, the Company desires to appoint the Agent to act as the Company's exclusive selling agent in connection with the offer, sale and renewal of such notes on a best effort basis and as the Company's servicing agent to provide certain administrative services with respect to the notes, and Agent desires to accept such duties, all as provided for by the terms of this Agreement.

NOW, THEREFORE, in consideration of the above and for other good and valuable consideration, receipt of which is acknowledged, and in consideration of the mutual promises, covenants, representations and warranties hereinafter set forth, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01 DEFINED TERMS. Whenever used in this Agreement, the following terms have the respective meanings set forth below. The definitions of such terms are applicable to the singular as well as to the plural forms of such terms.

(a) ACCEPTED NOTE PRACTICES. As applicable to the context in which this term is used, those procedures and practices with respect to the offering, marketing, selling, servicing and administration of the Notes that satisfy the following: (i) meet at least the same demonstrable standards that Agent would follow in exercising reasonable care in offering, marketing, selling, servicing and administering similar programs for publicly offered notes or securities; (ii) comply with all Governmental Rules; (iii) comply with the provisions of this Agreement and the Indenture; and (iv) give due consideration to the accepted standards of practice of prudent investment banking firms that offer, market, sell, service or administer comparable programs for publicly offered notes or securities and the reliance of the Company on the Agent for the offering, marketing, selling, servicing and administration of the Renewable Note Program.

(b) AGENT. Sumner Harrington Ltd., a Minnesota corporation, or its successors in interest or assigns, if approved by the Company as provided in Sections 5.02(c) and 9.03, below.

(c) AGREEMENT. This Distribution and Management Agreement, including any exhibits or attachments hereto, as originally executed, and as amended or supplemented from time to time in accordance with the terms hereof.

(d) BUSINESS DAY. Any day other than (a) a Saturday or Sunday or (b) another day on which banking institutions in the State of New York or the State of Minnesota are authorized or obligated by law, executive order, or governmental decree to be closed.

(e) COMMISSION or SEC. The Securities and Exchange Commission.

(f) COMPANY. Consumer Portfolio Services, Inc., or its successors or assigns, if approved by Agent as provided in Section 9.03, below.

(g) DUE PERIOD. The monthly, quarterly, semi-annual, or annual periods, or the full term of the Note if interest is due at maturity, for which scheduled payments of interest will be paid on any Note.

(h) EXCHANGE ACT. The Securities Exchange Act of 1934, as amended, and as hereafter amended, and the rules and regulations thereunder.

(i) GOVERNMENTAL RULES. Any law, rule, regulation, ordinance, order, code, interpretation, judgment, decree, policy, decision or guideline of any governmental agency, court or authority.

(j) HOLDER. The registered owner of any Note as it appears on the records of the Registrar, including any purchaser or any subsequent transferee or other holder thereof.

(k) INCORPORATED DOCUMENTS. All documents that, on or at any time after the effective date of the Registration Statement, are incorporated by reference therein, in the Prospectus, or in any amendment or supplement thereto.

(l) INDENTURE. That certain Indenture dated on or about January __, 2005, by and between the Company and the Trustee with respect to the Notes.

(m) INITIAL CLOSING DATE. _____, 2005, or such later date as may be agreed by the Company and the Agent.

(n) INVESTOR. Any person who purchases Notes or who contacts the Agent expressing an interest in purchasing the Notes or requesting information concerning the Notes.

(o) MATERIAL AGREEMENT. With respect to a person, any agreement, contract, joint venture, lease, commitment, guaranty or other contractual arrangement or any bond, debenture, indenture, mortgage, deed of trust, loan or security agreement, note, instrument or other evidence of indebtedness, which in the case of any of the foregoing is material to the business, assets, operations, condition or

prospects, financial or otherwise, of such person or which is material to the ability of such person to perform its obligations under this Agreement.

(p) NASD. National Association of Securities Dealers, Inc.

(q) NOTE CONFIRMATION. With respect to the issuance and ownership of the Notes in book-entry form, an appropriate written confirmation of the issuance and ownership or transfer of ownership of a Note to a Holder, the format of which shall comply with the provisions of the Indenture.

(r) NOTE PORTFOLIO. The aggregate of individual Notes, as it exists from time to time, which, unless the context otherwise requires or provides, determined by the principal balances of the Notes.

(s) NOTES. The renewable, unsecured, subordinated notes of the Company that are being offered and sold pursuant to the Registration Statement and that have an aggregate principal amount up to $100,000,000.00 and such other terms as described in the Prospectus, and any additional principal amount of the same or similar notes as may be registered from time to time pursuant to the Registration Statement.

(t) OFFERING. The offer and sale of the Notes in accordance with the terms and subject to the conditions set forth in the Registration Statement.

(u) PAYING AGENT. Wells Fargo Bank, National Association or its successors or assigns, or such other paying agent with respect to the Notes as may be subsequently appointed by the Company pursuant to the Indenture.

(v) PAYING AGENT AGREEMENT. That certain agreement, if any, by and between the Company and the Paying Agent relating to the Company's engagement of the Paying Agent to act as the paying agent for the Notes.

(w) PAYING AGENT FEES. All fees and expenses payable to the Paying Agent in accordance with the Paying Agent Agreement.

(x) PROPOSAL. That certain proposal made by the Agent to, and accepted by, the Company dated _____ with respect to the Renewable Note Program.

(y) PROPRIETARY RIGHTS. All rights worldwide in and to copyrights, rights to register copyrights, trade secrets, inventions, patents, patent rights, trademarks, trademark rights, confidential and proprietary information protected under contract or otherwise under law, and other similar rights or interests in intellectual or industrial property.

(z) PROSPECTUS. The prospectus included in the Registration Statement at the time it was declared effective by the Commission, as supplemented by all prospectus supplements (including interest rate supplements) related to the Notes that are filed with the Commission pursuant to Rules 424(b) or (c) under the Securities Act. References to the Prospectus shall be deemed to refer to and include the Incorporated Documents to the extent incorporated by reference therein.

(aa) REDEMPTION PAYMENT. The payment of principal plus any accrued and unpaid interest that is being made at the discretion of the Company in accordance with the Indenture.

(bb) REGISTRATION STATEMENT. That certain Registration Statement on Form S-2_ (File No. _____) of the Company with respect to the Notes filed with the Securities and Exchange Commission under the Securities Act on or about _____, 2005, as amended and declared effective by the Commission, including the respective copies thereof filed with the Commission. References to the Registration Statement shall be deemed to refer to and include the Incorporated Documents to the extent incorporated by reference therein.

(cc) RENEWABLE NOTE PROGRAM. The marketing, subscription and sale, administration, customer service and investor relations, registration of ownership, reporting, payment, repurchase, redemption, renewal and related activities associated with the Notes.

(dd) REPURCHASE PAYMENT. The payment of principal plus any accrued and unpaid interest, less any penalties upon the repurchase of any Note, that is being made at the request of the Holder in accordance with the Indenture.

(ee) SCHEDULED PAYMENT. For any Due Period and any Note, the amount of interest and/or principal indicated in such Note as required to be paid by the Company under such Note for the Due Period and giving effect to any rescheduling or reduction of payments in any insolvency or similar proceeding and any portion thereof.

(ff) SECURITIES ACT. The Securities Act of 1933, as amended, and as hereafter amended, and the rules and regulations thereunder.

(gg) SUBSCRIPTION AGREEMENT. A subscription agreement entered into by a Person under which such Person has committed to purchase certain Notes as identified thereby, in such form and substance as mutually agreed by the parties and as filed as an exhibit to the Registration Statement.

(hh) TRUST ACCOUNT. The trust account established by the Trustee pursuant to the Indenture.

(ii) TRUST INDENTURE ACT. The Trust Indenture Act of 1939, as amended, and as hereafter amended, and the rules and regulations thereunder.

(jj) TRUSTEE. Wells Fargo Bank, National Association, or its successors or assigns, or any replacement Trustee under the terms of the Indenture.

(kk) TRUSTEE'S FEES. All fees and expenses payable to the Trustee in accordance with the Indenture.

SECTION 1.02 ACCOUNTING TERMS. Unless otherwise specified in this Agreement, all accounting terms used in this Agreement shall be interpreted, all accounting determinations under this Agreement shall be made, and all financial

statements required to be delivered by any person pursuant to this Agreement shall be prepared, in accordance with U.S. generally accepted accounting principles, as in effect from time to time and as applied on a consistent basis. To the extent such principles do not apply to certain reports or accounting practices of the Agent, the parties will mutually agree on the accounting practices and assumptions.

ARTICLE II
APPOINTMENT OF THE AGENT AND RELATED AGREEMENTS

SECTION 2.01 APPOINTMENT; EXCLUSIVITY. On the basis of the representations, warranties and agreements herein contained, and subject to the terms and conditions set forth herein and in the Prospectus during the term of this Agreement, the Company appoints the Agent as its exclusive agent for purposes of selling, including the offer and sale of the Notes, and servicing, including the servicing and administration of the Notes, in each case, under the Renewable Note Program upon the terms and conditions set forth herein, including, without limitation, compliance and conformity with Accepted Note Practices and Governmental Rules, and the Agent agrees to use its best efforts as such agent to offer and sell the Notes to Investors until the later of the termination of the Offering or the sale of all of the Notes, or until the termination of this Agreement, if earlier. In connection with the administration of the Renewable Note Program, the Agent will carry out the duties provided for herein and as described in the Prospectus as being carried out by the Agent. During the term of this Agreement, the Company agrees to direct to the Agent all inquiries it receives with respect to sales of the Notes or administration of the Renewable Notes Program, as applicable.

SECTION 2.02 SCOPE OF AGENCY. In the performance of its duties hereunder, the Agent shall have full power and authority to take any and all actions for purposes of selling, including the offer and sale of Notes, and servicing, including the servicing and administration of the Notes, in each case, under the Renewable Note Program that the Agent, in its discretion, deems necessary or appropriate, subject in all respects to compliance and conformity with Accepted Note Practices and Governmental Rules. Such discretion shall include, without limitation, the right to accept or reject Subscription Agreements, waive or reduce early repurchase penalties when appropriate, change interest payment dates, enforce early repurchase penalties and allow prepayment of Notes, with or without penalty, subject, in each case to such limitations or conditions as may be provided in the Indenture. Notwithstanding the foregoing, the Agent's authority to take any action on the Company's behalf, other than the rejection of Subscription Agreements, which has an immediately discernable, direct financial impact of $500 or more shall be subject to receiving the prior written consent of the Company. In the performance of its duties hereunder, the Agent shall (i) act as the agent of the Company in connection with the Renewable Note Program; (ii) hold, in trust and as custodian, all Subscription Agreements, notices or other documents received by it in connection with the Renewable Note Program for the sole and exclusive use and benefit of the Company; and (iii) make dispositions of the items in clause (ii) only in accordance with this Agreement or at the written direction of the Company. Except as set forth herein with respect to the Renewable Note Program, the Agent shall have no authority, express or implied, to act in any manner or by any means for or on behalf of the Company.

SECTION 2.03 COMPENSATION TO THE AGENT.

(a) THE AGENT'S FEES AND COMMISSIONS. In consideration of the agreement of the Agent to provide its services as set forth in this Agreement, the Company will pay the Agent the following amounts:

(i) a commission as set forth in Exhibit B to the Proposal (which exhibit is hereby incorporated by reference), which shall be payable in consideration for the Agent's selling and marketing of Notes; and

(ii) an annual portfolio management fee equal to 0.25% of the weighted average daily principal balance of the Note Portfolio, to be invoiced monthly as provided below, which shall be payable in consideration for the administrative services provided by the Agent.

(b) THE AGENT'S EXPENSES. The Company agrees with the Agent that whether or not this Agreement is terminated or cancelled or the sale of the Notes hereunder is consummated, and regardless of the reason for or cause of any such termination, cancellation, or failure to consummate, the Company will pay or cause to be paid to the applicable persons the following, whether incurred prior or subsequent to the date of this Agreement:

(i) subject to the prior written approval by the Company and in addition to such other costs specifically provided for below, all reasonable out-of-pocket costs of the Agent or its affiliates incurred in connection with the Offering, including, but not limited to, designing, printing and mailing all offering and advertising materials, document fulfillment services, advertisements in newspapers, on the radio, on the internet and through direct mail, operating a toll-free telephone number, and assisting the Company with creating a web site, including any costs of a web developer or other third party consultants;

(ii) all reasonable fees and expenses of persons (other than the Agent and its affiliates), including, without limitation, fees and expenses of the Company's auditors and legal counsel, in connection with the preparation, printing, filing, and delivery of the Registration Statement (including the financial statements therein and all amendments, schedules, and exhibits thereto), the Prospectus, and any amendment thereof or supplement thereto;

(iii) to the extent applicable, all reasonable fees and expenses incurred in connection with the qualification of the Notes for offer and sale under the securities or Blue Sky laws of the states and other jurisdictions which the Agent may designate (with the prior approval of the Company) in accordance with the terms herewith;

(iv) all reasonable out-of-pocket costs incurred by the Agent or any other contractor in connection with the preparation, printing, filing, and delivery of maturity and renewal notices, quarterly statements, newsletters and any other materials to be sent to Holders in connection with the Notes or the Offering;

(v) all reasonable fees and expenses of the Agent's legal counsel related to the Offering and the ongoing servicing and administration of the Renewable Note Program as provided herein;

(vi) all fees and expenses of the Trustee and the Paying Agent in connection with the Notes, and

(vii) all reasonable out-of-pocket costs incidental to the performance of the Agent's obligations hereunder with respect to the ongoing servicing and administration of the Renewable Note Program that are not otherwise specifically described herein.

The provisions of this Section are intended to relieve the Agent from the payment of reasonable fees, expenses and out-of-pocket costs that the Company hereby agrees to pay and shall not impair or limit any of the other obligations of the Company hereunder to the Agent.

(c) PAYMENT OF FEES AND COMMISSIONS. On the last Business Day of each month, or as soon thereafter as practicable, the Agent shall provide the Company with a written invoice for such month's fees and commissions that are payable with respect to Notes issued up to the last five Business Days of such month, and Notes issued in the last five Business Days of the immediately preceding month that are, in each case, not rescinded. Such commissions and fees will be due and payable by the later of the fifteenth (15th) day of every month or fifteen (15) days after the date such invoice is received.

(d) PRIOR PAYMENTS. The parties hereby acknowledge prior payment of $_____ to the Agent as a deposit against its due diligence costs, which amount was paid upon execution of the Proposal. Upon the request of the Company, the Agent will provide a written accounting of this deposit to the Company. Any remaining funds from this deposit will be applied against the Agent's expenses related to marketing and administering the Notes. To the extent that this Agreement is terminated, the Agent will promptly refund the excess of any unused portion of such funds over amounts otherwise owed hereunder.

(e) COMPENSATION LIMITATIONS. Notwithstanding any other provision of this Agreement or of EXHIBIT A, other as provided in Section 2.03(b) and (d) in the event of termination of this Agreement, in no event will the Company pay or cause to be paid to the Agent or its affiliates (including Agency, as defined in Section 3.01(b)(i)) compensation under Section 2.03(a), Section 2.03(b) and Exhibit A, in the aggregate, in excess of 8% of the aggregate principal amount of the Notes sold from time to time hereunder.

SECTION 2.04 BROKERS AND DEALERS. The Agent may, in its sole discretion and at no additional obligation or expense to the Company, use the services of other brokers or dealers who are members in good standing of the NASD in connection with the offer and sale of the Notes. The Agent may enter into agreements with any such broker or dealer to act as its sub-agents for the sale of the Notes and shall be solely responsible for the payment of any portion of the Agent's compensation hereunder to such broker or dealer.

SECTION 2.05 THE AGENT'S UNRELATED ACTIVITIES. The Company agrees that the Agent may sell other notes or securities in offerings similar to the Offering for other issuers during the course of the Offering, and the Agent (and the Agency as defined in Section 3.01(b) below) may advertise other notes or securities of other issuers on websites, in print, by radio, or by any other means and at such times as they may determine. The Agent shall have the right to advertise or otherwise disclose to unrelated prospective issuers, at its own expense, its relationship with the Company, the services it provides in connection with the Notes and the amount of money that it raised through the Offering and the performance of the Offering.

SECTION 2.06 BEST EFFORTS; INDEPENDENT CONTRACTOR. Anything to the contrary notwithstanding, the Agent shall have no obligation to sell any minimum principal amount of Notes or to purchase Notes for its own account, for resale or for any other purpose, but rather the Agent shall use its best efforts as selling agent in connection with the Offering of the Notes. During the term of this Agreement, all actions taken by the Agent pursuant to this Agreement shall be in the capacity of an independent contractor, all sales of Notes conducted by the Agent shall be solely for the account and at the risk of the Company, and in no event shall the Agent have any obligations under the Notes.

SECTION 2.07 ISSUANCE AND PAYMENT. The Notes shall be issued pursuant to the Indenture and all Scheduled Payments, Redemption Payments and Repurchase Payments shall be made by electronic funds transfer or automated clearing house (i.e., ACH) remittance from the Trust Account by the Paying Agent in accordance with the Paying Agent Agreement and the Indenture.

ARTICLE III
SERVICES; STANDARD OF CARE

SECTION 3.01 SERVICES FOR THE NOTES. The services to be provided to the Company by the Agent pursuant to and during the term of this Agreement shall include the following:

(a) NOTE STRUCTURE AND INTEREST RATES. During the term of this Agreement, the Agent shall advise the Company regarding the structure of the Notes and provide sample document forms. Throughout the Offering, the Agent shall assist the Company in determining appropriate Note terms and interest rates based on current market conditions and the Company's capital goals.

(b) MARKETING AND ADVERTISING. During the term of this Agreement, the Agent shall develop and execute a direct response marketing strategy for the Notes designed to meet the Company's capital goals in a timely manner, which shall be subject to the prior approval of the Company. The Agent shall also oversee designing and printing all marketing materials, in accordance with the Securities Act, including the applicable rules and regulations and any other requirements of the SEC and the NASD and any other Governmental Rules.

(i) For purposes of Sections 2.05 and 3.01 only, Sumner Harrington Agency, Inc., an affiliate of the Agent (the "Agency"), is hereby made a party to this Agreement. During the term of the Agent's activities to market and sell the Notes hereunder, the Agency will provide the Company with media planning, media buying, media production, media placement and other marketing services related to the Offering as described on EXHIBIT A hereto, and the terms of which shall be binding upon the Company and the Agency.

(ii) Notwithstanding the foregoing, the authority of the Agent and the Agency with respect to all ad placements and use of all marketing materials shall be subject to receiving the prior written approval of the Company.

(iii) In order to minimize advertising costs, the Agent and/or the Agency may recommend that the Company enter into long term contracts (not to exceed one year) with various newspapers and radio stations, and in such event, in addition to the direct cost of the advertisements themselves, the Company shall be responsible for any termination fees that result from the early cancellation of such contracts if approved by the Company.

(iv) During the term of this Agreement, the Company shall allow the Agent and the Agency to use the Company's logo, corporate colors, trademarks, trade names, fonts, and other aspects of corporate identity in advertisements and marketing materials related to the Notes and on the Agent's website, subject to the Company's prior written approval of the specific use of these items in writing in each instance (which shall not be unreasonably withheld). Neither the Agent nor the Agency will make use of the Company's logo, corporate colors, trademarks or trade names in any manner that would reasonably be expected to disparage or damage such marks or the reputation of the Company or diminish the Company's goodwill. It is expressly agreed that neither the Agent nor the Agency is acquiring any right, title or interest in the Company's logo, corporate colors, trademarks or trade names, and the rights of the Agent and Agency to use the same shall terminate upon the termination of this Agreement.

(c) SUBSCRIPTION, SALE AND OWNERSHIP. During the term of this Agreement, the Agent shall review and process each Subscription Agreement for the Notes received from an Investor with the objective of

determining whether (i) such agreement is complete and accurate in all material respects, including without limitation the execution thereof by such Investor, (ii) such Investor timely remits the proper purchase price for the Notes in accordance with the Subscription Agreement, and (iii) the principal amount, interest rate and term to maturity and any other material terms of the Notes are verified for accuracy and completeness. Upon delivery by each Investor of a completed Subscription Agreement for Notes and full payment of the principal amount of such Notes in accordance with the Investor's Subscription Agreement, and subject to the prior written consent of the Company if required pursuant to Section 2.02 (which, for the avoidance of doubt, may be given in the form of general directives to sell up to a particular aggregate amount of Notes) the Agent shall promptly (i) accept or reject such Subscription Agreements on the Company's behalf based upon such factors as the Agent shall determine, including, without limitation, the suitability of the proposed Investor, (ii) verify that the payment of the principal amount of such Investor's accepted subscription for the Notes is being remitted to the Company in accordance with the Subscription Agreement in an account established by the Company for such purpose or in such other manner as may be directed by the Company from time to time, and (iii) remit to the Trustee electronic or hard copies of all accepted Subscription Agreements and related records as may be reasonably requested by the Trustee, including without limitation, a record of each deposit relating to the payment of the subscription amount of the Notes. Pursuant to the preceding sentence, Notes shall be issued by the Agent on the Company's behalf in book-entry form only and the Agent shall deliver a Note Confirmation to each Holder with respect to such Holder's respective accepted Subscription Agreement and the receipt of full payment for such Holder's Notes. The Company hereby appoints the Agent, and the Agent hereby accepts such appointment, as its initial Registrar (as such term is defined in the Indenture) for the Notes pursuant to the terms of the Indenture. For so long as the Agent shall serve as the Registrar for the Notes, the Agent shall perform, in accordance with the terms of the Indenture, all of the duties and obligations of the Registrar under the Indenture, including, without limitation, the obligation to maintain a book-entry registration and transfer system for the ownership of the Notes in accordance with the terms of the Indenture.

(d) INVESTOR RELATIONS AND REPORTING. During the term of this Agreement, the Agent, in conjunction with the Trustee, shall manage all aspects of the customer service and investor relations functions with respect to the Offering, including, but not limited to, handling all inquiries from Investors, mailing investment kits, delivering to each Investor the Prospectus and Subscription Agreement, meeting with Investors, processing Subscription Agreements, responding to all written or telephonic questions by Investors and Holders relating to the Notes, recording changes in Holders' addresses or accounts, issuing maturity and renewal notices, quarterly statements and newsletters to Holders, directing the Paying Agent to make Scheduled Payments, Repurchase Payments and Redemption Payments to Holders in a timely manner, and directing the Paying Agent to issue Form 1099INT's to Holders as required by law. In addition, the Agent shall provide the Trustee (and copy the Company) with management reports regarding the Notes as required under the Indenture.

(e) WEB SITE DEVELOPMENT. Subject to compliance and conformity with Accepted Note Practices by the Agent, the Agent (or a third party service provider working at the Agent's direction) shall assist the Company in developing a dedicated Internet web site separate from the Company's corporate site to allow Investors to view online and download copies of the Offering documents (including the Prospectus and Subscription Agreement) and marketing materials that are included in the investment kit or comparable information.

(f) OWNERSHIP OF WEB PAGES. Any and all web pages developed or maintained by the Agent in connection with the marketing and selling of the Notes (the "Web Pages"), and all associated Proprietary Rights, shall be owned exclusively by the Agent; provided, however, it is expressly acknowledged and agreed that the Company shall retain, and the Agent shall not hereby acquire, any Proprietary Rights in the Company's logos, corporate colors, trademarks, trade names, and slogans, any descriptions of the Company's business. The Agent hereby grants the Company a nonexclusive, perpetual, worldwide license to use the Web Pages for the purpose of marketing and selling the Notes.

SECTION 3.02 MAINTENANCE OF FILES AND RECORDS. The Agent shall establish and maintain at all times during the term of this Agreement files and records (including, without limitation, computerized records) regarding the Notes and the Note Portfolio, with full and correct entries of all transactions or modifications in a reasonably secure, up-to-date manner and in accordance with the following:

(a) LOCATION. All Note and Note Portfolio files and records shall be stored and maintained at the Agent's principal place of business, or other location as designated by the Agent. The Agent shall keep in its files all correspondence received or sent regarding each Note, each Investor, and each Holder, whether upon any purchase or transfer of a Note.

(b) ORIGINAL DOCUMENTS. The Agent will store all original Subscription Agreements, Note Confirmations, correspondence from Investors and Holders and other materials relating to the Renewable Note Program in a reasonably secure manner at the Agent's principal offices or such other location as may be agreed upon with the Company. The Agent shall exercise due care in handling and delivering the original documents and the other documents in the Note files and records. The Agent shall not grant or allow any person an interest in original documents or rights thereunder, and all original documents in the possession of the Agent shall be deemed to be in the possession of the Company.

(c) EXAMINATION. At any time during the Agent's normal business hours, the Company and its agents and representatives may physically inspect any documents, files or other records relating to the Renewable Note Program and discuss the same with the Agent's officers and employees. The Agent shall supply copies of any such documents, files, or other records upon the request of the Company, as soon as is reasonably and commercially practicable at the Company's cost and expense.

(d) RETENTION. Unless otherwise requested by the Company, or unless otherwise required by Governmental Rules, the Agent shall retain, with respect to each Note, for a period of 24 months from the date the Note is fully paid, all records, files and documents related to each such Note. At the end of such 24-month period, all such items shall be transferred to the Company, or to a third party as designated by the Company, at the Company's sole cost and expense. The Agent shall be permitted to retain copies of any such documents for its own files for its own account and at its own expense. The Agent shall maintain the privacy of the Investors and Holders in accordance with all applicable Governmental Rules.

(e) RETURN. If this Agreement is terminated, the Agent shall promptly deliver to the Company or its designee, as the case may be, all Note files and records (including, without limitation, copies of computerized records and servicing and other software, except as may be prohibited by any third party contract or license) related to the selling and servicing of the Notes and all monies collected by it relating to the Renewable Note Program (less any fees or expenses due to the Agent). The Agent shall be entitled to make and keep copies of such records, at its cost and expense. In addition to delivering such data and monies, the Agent shall use its best efforts to effect the orderly and efficient transfer of the selling and servicing of the Notes to the Company or other party designated by the Company to assume responsibility for such selling and servicing, including, without limitation, directing Holders to remit all repurchase or other notices to the address designated by the Company. All costs of conversion and transfer of such records to the Company or another agent shall be paid by the Company.

(f) SECURITY. The parties shall take appropriate security measures to protect customer nonpublic personal information ("NPI"), as defined in the Gramm-Leach-Bliley Act of 1999, Title V, and its implementing regulations, against accidental or unlawful destruction and unauthorized access, tampering, and copying during storage in either party's computing or paper environment. Access to NPI must be restricted to only the personnel that have a business need relating to the Renewable Note Program. NPI must be stored in a secured format within all systems at both parties' location and any other locations where the data may reside. Transmission of such NPI between the parties or vendors must be done in a secure manner, in a method mutually agreed upon by both parties. Each party will engage appropriate and industry-standard measures necessary to meet information security guidelines as required by the Gramm-Leach-Bliley Act, Title V and its implementing regulations as applicable to such party to effectuate this Agreement.

SECTION 3.03 INFORMATION TO THE COMPANY. As agreed by the parties, the Agent shall make reports and analyses available to the Company regarding the status of the Note Portfolio, the marketing efforts and the amount of Notes remaining available for issuance under the Registration Statement. The Agent shall also provide interim or custom reports at the Company's request as is commercially reasonable, including, without limitation, a weekly update via email identifying new Holders by name, address and principal amount of Notes purchased.

ARTICLE IV

REPRESENTATIONS AND COVENANTS OF THE COMPANY

SECTION 4.01 REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE COMPANY. The Company represents and warrants to and agrees with the Agent as follows, which representations and warranties shall be deemed to be made continuously from and as of the date hereof until this Offering is terminated and all then outstanding Notes have been paid in full or such earlier date that this Agreement has been terminated, except for those representations and warranties that address matters only as of a particular date, which representations and warranties shall be deemed to be made as of such date.

(a) The Company satisfies all of the requirements for the use of Form S-2 with respect to the offer and sale of securities as contemplated by the Offering. The Commission has not issued any order preventing or suspending the use of the Registration Statement or Prospectus and no proceeding for that purpose has been instituted or, to the Company's knowledge, threatened by the Commission or the securities authority of any state or other jurisdiction.

(b) The Registration Statement, in the form in which it became effective and also in such form as it may be when any post-effective amendment thereto shall become effective, and the Prospectus, and any supplement or amendment thereto when filed with the Commission under Rule 424 under the Securities Act, complied or will comply with the provisions of the Securities Act and the Trust Indenture Act, and did not or will not at any such times contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading, except that this representation and warranty does not apply to: (i) any statements in, or omissions from the Agent Disclosure Statements (as defined in Section 5.01(f) below) in the Registration Statement or the Prospectus, or any amendment thereof or supplement thereto; or (ii) statements in or omissions from the Registration Statement (or any amendment thereto) related to or resulting from the specific terms of the Offering, which terms are included in the Prospectus.

(c) The Incorporated Documents previously filed, at the time they were filed, complied in all material respects with the requirements of the Exchange Act, and all subsequently filed Incorporated Documents will, at the time they are filed, comply in all material respects with the requirements of the Exchange Act. No such previously filed Incorporated Document, when filed, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and no such further Incorporated Document, when filed, will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, except that this representation and warranty does not apply to the extent that any misstatement or omission in any Incorporated Document is superseded by a subsequent Incorporated Document, but in such case only with respect to the period from and after the filing of the subsequent Incorporated Document.

(d) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of California, with full power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, the Prospectus and the Incorporated Documents. The Company is duly qualified to do business 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 qualified or in good standing would have a material adverse effect on the condition (financial or otherwise), earnings, operations or business of the Company and, to the best of the Company' s knowledge, no proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification.

(e) Each subsidiary of the Company has been duly incorporated or organized and is validly existing in good standing under the laws of the jurisdiction of its incorporation or organization, with full power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, the Prospectus and the Incorporated Documents. Each such subsidiary is duly qualified to do business 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 qualified or in good standing would have a material adverse effect on the condition (financial or otherwise), earnings, operations or business of the Company and, to the best of the Company' s knowledge, no proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification.

(f) The Company and each subsidiary has operated and is operating in material compliance with all authorizations, licenses, certificates, consents, permits, approvals and orders of and from all state, federal and other governmental regulatory officials and bodies necessary to own its properties and to conduct its business as described in the Registration Statement, the Prospectus and the Incorporated Documents, all of which are, to the best of the Company's knowledge, valid and in full force and effect. The Company and each subsidiary is conducting its business in substantial compliance with all applicable laws, rules and regulations of the jurisdictions in which it is conducting business, and the Company and each subsidiary is not in material violation of any applicable law, order, rule, regulation, writ, injunction, judgment or decree of any court, government or governmental agency or body, domestic or foreign, having jurisdiction over the Company or any such subsidiary or their respective over its properties.

(g) The Company and each subsidiary is not in violation of its certificate or articles of incorporation or bylaws (or similar governing documents) or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any Material Agreement to which it is a party or by which it or its properties are bound.

(h) The Company has full requisite power and authority to enter into this Agreement and perform the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered

by the Company and is a valid and binding agreement on the part of the Company, enforceable against the Company in accordance with its terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity. The performance of this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under:

(i) any Material Agreement to which the Company or any subsidiary is a party or by which the Company or any subsidiary or their respective properties may be bound;

(ii) the articles of incorporation or bylaws of the Company, or

(iii) any applicable law, order, rule, regulation, writ, injunction, judgment or decree of any court, government or governmental agency or body, domestic or foreign, having jurisdiction over the Company or any subsidiary or their respective properties.

(i) No consent, approval, authorization or order of or qualification with any court, governmental agency or body, domestic or foreign, having jurisdiction over the Company or over its properties is required for the execution and delivery of this Agreement and the consummation by the Company of the transactions herein contemplated, except such as may be required under the Securities Act, the Exchange Act, the Trust Indenture Act, or under state or other securities or blue sky laws, all of which requirements have been satisfied.

(j) Except as is otherwise expressly described in or incorporated by reference into the Registration Statement or Prospectus, there is neither pending nor, to the best of the Company's knowledge, threatened, any action, suit, claim or proceeding against the Company or any subsidiary or any of their respective officers or properties, assets or rights before any court, government or governmental agency or body, domestic or foreign, having jurisdiction there over which, if successful, would be likely to (A) result in any material adverse change in the condition (financial or otherwise), earnings, operations or business of the Company or might materially and adversely affect its properties, assets or rights, or (B) prevent consummation of the transactions contemplated hereby.

(k) The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus and the shares of issued and outstanding Common Stock set forth thereunder have been duly authorized, validly issued, are fully paid and non-assessable, have been issued in compliance with all federal and state securities laws, were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities, and the authorized and outstanding capital stock of the Company conforms in all material respects with the statements relating thereto contained or incorporated by reference in the Registration Statement and the Prospectus. The Notes to be sold hereunder by the Company have been duly authorized for issuance and sale pursuant to the Indenture and

this Agreement and, when issued and delivered against payment therefor in accordance with the terms of the Indenture and this Agreement, will be duly and validly issued and fully paid and non-assessable and will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity and will be sold free and clear of any pledge, lien, security interest, encumbrance, claim or equitable interest; and no preemptive right, co-sale right, registration right, right of first refusal or other similar right of stockholders exists with respect to any of the Notes to be sold hereunder by the Company or the issuance and sale thereof.

(l) KPMG LLP, which has expressed its opinion with respect to certain of the financial statements filed or incorporated by reference as part of the Registration Statement, is an independent accounting firm within the meaning of the Securities Act. The financial statements of the Company set forth or incorporated by reference in the Registration Statement and Prospectus comply in all material respects with the requirements of the Securities Act and fairly present the financial position and the results of operations of the Company at the respective dates and for the respective periods to which they apply in accordance with generally accepted accounting principles consistently applied throughout the periods involved; and the supporting schedules included or incorporated by reference in the Registration Statement present fairly the information required to be stated therein.

(m) Subsequent to the respective dates as of which information is given in the Registration Statement and Prospectus, except as is otherwise disclosed in the Registration Statement or Prospectus or as is otherwise incorporated into the Registration Statement pursuant to the Securities Act, there has not been (i) any material adverse change in the condition, financial or otherwise, earnings, affairs or business prospects of the Company or any subsidiary, or (ii) any material transactions entered into by the Company, or any of its subsidiaries, other than those in the ordinary course of business, including, without limitation:

(i) any material change in the capital stock or long-term debt (including any capitalized lease obligation) or material increase in the short-term debt of the Company;

(ii) any material issuance of options (other than to directors and employees of the Company), warrants, convertible securities or other rights to purchase the capital stock of the Company;

(iii) any material adverse change, or any development involving a material adverse change, in or affecting the condition (financial or otherwise), earnings, operations, business or business prospects, management, financial position, stockholders' equity, results of operations or general condition of the Company;

(iv) any transaction entered into by the Company that is material to the Company, except transactions entered into by the Company in the ordinary course of business that are consistent with past practices (including without limitation any securitization transaction);

(v) any material obligation, direct or contingent, incurred by the Company, except obligations incurred in the ordinary course of business; or

(vi) any loss or damage (whether or not insured) sustained to the property of the Company, which has a material adverse effect on the condition (financial or otherwise), earnings, operations or business of the Company.

(n) Except as is otherwise expressly disclosed in the Registration Statement or Prospectus or as is otherwise incorporated into the Registration Statement pursuant to the Securities Act:

(i) the Company and its subsidiaries have good and marketable title to all of the property, real and personal, and assets described in the Registration Statement or Prospectus as being owned by them, free and clear of any and all pledges, liens, security interests, encumbrances, equities, charges or claims, other than such as would not have a material adverse effect on the condition (financial or otherwise), earnings, operations or business of the Company;

(ii) the Material Agreements to which the Company or any subsidiary is a party described in the Registration Statement and Prospectus are valid agreements, enforceable by the Company or such subsidiary except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by judicial limitations on the right of specific performance; and

(iii) except as set forth in the Registration Statement and Prospectus, the Company and each of its subsidiaries owns or leases all such properties as are necessary to their operations as now conducted.

(o) The Company has timely filed (or has timely requested an extension of time to file) all necessary federal and state income and franchise tax returns. The Company has paid all taxes shown on such tax returns as due and payable, and there is no tax deficiency that has been or, to the best of the Company's knowledge, could be asserted against the Company that might have a material adverse effect on the condition (financial or otherwise), earnings, operations, business or properties of the Company, and all tax liabilities are adequately provided for in the books of the Company; provided, however, that the Company has not paid, and a deficiency may have been asserted for,

taxes which are being contested by the Company in good faith and by proper proceedings and for which appropriate and reasonable reserves have been provided.

(p) The Company and its subsidiaries own, or possess adequate rights to use, all patents, patent rights, inventions, trade secrets, know-how, technology, service marks, trade names, copyrights, trademarks and other intellectual property rights or information which are necessary for the conduct of their present or intended business as described in the Registration Statement or Prospectus or incorporated by reference therein. The expiration of any patents, patent rights, trade secrets, trademarks, service marks, trade names or copyrights would not have a material adverse effect on the condition (financial or otherwise), earnings, operations or business of the Company and the Company has not received any notice of, and has no knowledge of, any infringement of or conflict with the asserted rights of others with respect to any patents, inventions, trade secrets, know-how, technology, service marks, trade names, copyrights, trademarks and other intellectual property rights that, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, might have a material adverse effect on the condition (financial or otherwise), earnings, operations, business or business prospects of the Company.

(q) The Company has not taken and will not take, directly or indirectly, any action (and does not know of any action by its directors, officers, employees, or other agents) which has constituted or is designed to, or which might reasonably be expected to, cause or result in stabilization or manipulation, as defined in the Exchange Act or otherwise, to facilitate the sale or resale of the Notes. The Company has not distributed and will not distribute prior to the completion of the distribution of the Notes, any offering material in connection with the offering and sale of the Notes other than the Prospectus, the Registration Statement and other materials, if any, permitted or required by the Securities Act.

(r) The Company and its subsidiaries maintain insurance, which is in full force and effect, with insurers of recognized financial responsibility of the types and in the amounts generally deemed adequate for its business and the Company has no reason to believe that it or its subsidiaries will not be able to renew such existing insurance coverage as and when such coverage expires or obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not materially and adversely affect the condition (financial or otherwise), earnings, operations, business or business prospects of the Company.

(s) The Company has not at any time during the last five years made any unlawful contribution to any candidate for an office or failed to disclose fully any contribution in violation of law, or made any payment to any federal or state governmental officer or official, domestic or foreign, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that transactions are executed in accordance with management's general or specific authorizations and transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles. To maintain accountability for assets, access to assets is

permitted only in accordance with management's general or specific authorization, and the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(t) Except as set forth in the Registration Statement and Prospectus or as is otherwise incorporated into the Registration Statement pursuant to the Securities Act:

(i) the Company is in material compliance with all material rules, laws and regulations relating to the use, treatment, storage and disposal of toxic substances and protection of health or the environment (the "Environmental Laws") which are applicable to its business;

(ii) the Company has received no notice from any governmental authority or third party of an asserted claim under Environmental Laws, which claim is required to be disclosed in the Registration Statement and the Prospectus;

(iii) to the best of the Company's knowledge, the Company will not be required to make any future material capital expenditures to comply with Environmental Laws: and

(iv) no property that is owned, leased or occupied by the Company has been designated as a Superfund site pursuant to the Comprehensive Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. ss. 9601, ET seq.), or otherwise designated as a contaminated site under applicable state or local law.

(u) The historical financial information, financial projections and due diligence information of the Company presented to the Agent for its review, were prepared in good faith and represent the Company's best present estimate of the Company's financial condition prior to, and immediately following, completion of the initial sale of the Notes.

(v) During the term of this Agreement, and except as set forth herein and in the Registration Statement, the Company has not taken any action to create a right in any person or entity other than the Agent to any compensation or other payments from either the Company or the Agent, as a finder, underwriter or agent in connection with the Offering or any other proposed transaction between the Company and the Agent. The Company agrees to promptly notify the Agent of any such relationships, including consulting or prior agency agreements entitling other parties to compensation for the Offering and agrees to provide the Agent with a copy of such agreements.

(w) Any certificate signed by any officer of the Company and delivered to the Agent or to the Agent's counsel shall be deemed a representation and warranty by the Company to the Agent as to the matters covered thereby that have a material relationship to the Offering, the Registration Statement or the Renewable Note Program.

SECTION 4.02 COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with the Agent as follows:

(a) 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 the Agent 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 has been filed and of any request by the Commission for any amendment or supplement to the Registration Statement or Prospectus or additional information. The Company will prepare and file with the Commission, promptly upon the Agent's reasonable request, any amendments or supplements to the Registration Statement or Prospectus that, in the Agent's opinion may be necessary or advisable in connection with the Offering of the Notes by the Agent. Prior to filing any amendment or supplement to the Registration Statement or Prospectus, the Company shall furnish a copy of such amendment or supplement to the Agent. If the Agent shall reasonably object to such amendment or supplement by written notice to the Company, the Agent will be relieved of its obligations with respect to the Offering (but not the administration) of the Notes until such time as the Company shall have filed such further amendments or supplements such that the Agent is reasonably satisfied with the Registration Statement and the Prospectus, as then amended or supplemented.

(b) The Company will advise the Agent, 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 receipt of any specific threat of any proceeding for any such purpose. 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.

(c) Within the time during which a Prospectus relating to the Notes is required to be delivered under the Securities Act, the Company will comply as far as it is able with all requirements imposed upon it by the Securities Act, 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 the longer of such period or the term of this Agreement, any event or change occurs that could reasonably be considered material to the Offering or that causes any of the representations and warranties of the Company contained herein to be untrue in any material respect, or 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 Securities Act, then the Company will promptly notify the Agent, and, if necessary, 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. Without limiting the foregoing, if this Agreement is terminated for any reason, the Company shall promptly amend the Prospectus and any related Offering materials to delete references to the Agent.

(d) The Company will use its best efforts to take such action as requested by the Agent in order to arrange for the qualification of the Notes for offering and sale under the securities laws of such jurisdictions as the Agent may reasonably designate (with the prior approval of the Company) and to continue such qualifications in effect for so long as may be required for purposes of the Offering. In each jurisdiction in which the Notes shall have been qualified as herein provided, the Company will make and file such statements and reports in each year as are or may be reasonably required by the laws of such jurisdiction.

(e) The Company will furnish to the Agent copies of the Registration Statement, the Prospectus, and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Agent may from time to time reasonably request.

(f) For such period as this Agreement may be in effect, the Company shall make available to the Agent, as soon as the same shall be sent to its stockholders generally, copies of all annual or interim stockholder reports of the Company and will, for the same period, also furnish the Agent one copy of any report, application or document (other than exhibits, which, however, will be furnished on the Agent's request) filed by the Company with the Commission, The Nasdaq Stock Market or any other securities exchange.

(g) At all times during the term of this Agreement, the Company shall provide all information reasonably requested by the Agent that relates to the Renewable Note Program in a timely manner and shall use its best efforts to insure that such information is complete and accurate.

(h) The Company will, during the term of this Agreement, furnish directly to the Agent quarterly profit and loss statements and reports of the Company's cash flow as reported on the applicable quarterly report on Form 10-Q; and (ii) within five days following the filing of any quarterly report on Form 10-Q, provide or cause _____ (or another nationally recognized firm of independent public accountants) to provide to the Agent a letter from _____ or such other firm with respect to the Form 10-Q, confirming that performance of the procedures and providing such comfort as set forth in Sections 6.01(g)(ii)(A), (B) and (C), 6.01(g)(iii)(A) and (B), and 6.01(g)(iv) of this Agreement with respect to the unaudited interim financial statements or other data, as the case may be, contained therein.

(i) The Company will apply the net proceeds from the sale of the Notes substantially in the manner set forth under the caption "Use of Proceeds" in the Prospectus.

(j) The Company will not take, and will use its best efforts to cause each of its officers and directors not to take, directly or indirectly, any action designed to or which might reasonably be expected to cause or result in stabilization or manipulation as defined in the Exchange Act of the price of any security of the Company to facilitate the sale or resale of the Notes.

(k) The Company hereby authorizes the Agent to conduct due diligence investigations (limited to one per calendar year following the date hereof) to verify the Company's ability to offer and perform its obligations under the Notes during the term of this Agreement and agrees to provide the Agent with access to its relevant books and records for the purpose of performing quarterly cash flow analysis.

ARTICLE V

REPRESENTATIONS AND COVENANTS OF THE AGENT; CONDITIONS

SECTION 5.01 REPRESENTATIONS AND WARRANTIES OF THE AGENT. The Agent hereby represents and warrants to the Company as follows, which representations and warranties shall be deemed to be made continuously from and as of the date hereof until this Offering is terminated or such earlier date that this Agreement has been terminated:

(a) The Agent (i) has been duly organized, is validly existing and in good standing as a Minnesota corporation, (ii) has qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of its properties or the nature of its activities (including without limitation activities of the Agent hereunder) makes such qualification necessary, and (iii) has full power, authority and legal right to own its property, to carry on its business as presently conducted, and to enter into and perform its obligations under this Agreement. The Agent is a member in good standing of the NASD.

(b) The Agent has full requisite power and authority to enter into this Agreement and perform the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by the Agent and is a valid and binding agreement on the part of the Agent, enforceable against the Agent in accordance with its terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity. The performance of this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under:

(i) any Material Agreement to which the Agent is a party or by which the Agent or its properties may be bound;

(ii) the articles of incorporation or bylaws of the Agent, or

(iii) the provisions of any Governmental Rule binding on the Agent or its properties.

(c) The Agent has obtained all governmental consents, licenses, approvals and authorizations, registrations and declarations which are necessary for the execution, delivery, performance, validity and enforceability of the Agent's obligations under this Agreement. The Agent is a registered broker-dealer in good standing under the appropriate laws and regulations of each of the states in which offers or solicitations of offers to subscribe for the Notes will be made by the Agent.

(d) There are no actions, suits or proceedings pending or, to the knowledge of the Agent, threatened against or affecting the Agent, before or by any court, administrative agency, arbitrator or governmental body with respect to any of the transactions contemplated by this Agreement, or which will, if determined adversely to the Agent, materially and adversely affect it or its business, assets, operations or condition, financial or otherwise, or adversely affect the Agent's ability to perform its obligations under this Agreement. The Agent is not in default with respect to any order of any court, administrative agency, arbitrator or governmental body so as to materially and adversely affect the transactions contemplated by this Agreement.

(e) The Agent has obtained all necessary consents, approvals, waivers and notifications of creditors, lessors and other nongovernmental persons in connection with the execution and delivery of this Agreement, and the consummation of all the transactions herein contemplated.

(f) When the Prospectus Supplement is or was filed with the Commission and at all times subsequent thereto until the termination of the Offering, the Agent Disclosure Statements in the Prospectus (as amended or supplemented, if the Company shall have filed with the Commission any amendment thereof or supplement thereto) will not or did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading. "Agent Disclosure Statements" shall mean any statements or disclosures included within or the subject of the Registration Statement or the Prospectus or any amendment thereof or supplement thereto, which, when the Prospectus or any such amendment thereof or supplement thereto is or was filed with the Commission and at all times subsequent thereto, are either (i) included within the disclosure under the heading "Plan of Distribution" in the Prospectus, or (ii) based upon and conform to written information relating to the Agent furnished in writing to the Company by the Agent specifically for use in the preparation of the Prospectus, or any amendment thereof or supplement thereto; provided, however, the Agent makes no representation with respect to any Agent Disclosure Statement made without the consent of the Agent, or with respect to which the Agent has provided the Company a written objection.

(g) The Agent has operated and is operating in material compliance with all authorizations, licenses, certificates, consents, permits, approvals and orders of and from all state, federal and other governmental regulatory officials and bodies necessary to conduct its business as contemplated by and described in this Agreement, all of which are, to the Agent's knowledge, valid and in full force and effect. The Agent is conducting its business in substantial compliance with all applicable Governmental Rules, laws, rules and regulations of the jurisdictions in which it is conducting business, and the Agent is not in material violation of any applicable Governmental Rules.

(h) The Agent has not distributed and will not distribute prior to the completion of the Offering, any offering material in connection with the Offering, other than the Prospectus, the Registration Statement, the Incorporated Documents, and other materials, if any, permitted by and in compliance with the Securities Act.

(i) The Agent maintains insurance, which is in full force and effect, with insurers of recognized financial responsibility of the types and in the amounts generally deemed adequate for its business and, to the best of the Agent's knowledge, in line with the insurance maintained by similar companies and businesses; and the Agent shall add the Company as a beneficiary or additional insured against any covered loss and shall provide the Company with a copy of the respective insurance policies; and the Agent has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not materially and adversely affect the financial condition or business operations of the Agent.

SECTION 5.02 COVENANTS OF THE AGENT. The Agent hereby covenants to the Company as follows, which covenants shall be deemed in force unless and until this Agreement is terminated as provided herein:

(a) The Agent shall punctually perform and observe all of its obligations and agreements contained in this Agreement.

(b) Except as provided in this Agreement, the Agent shall not take any action, or permit any action to be taken by others, which would excuse any person from any of its covenants or obligations under any Note, or under any other instrument related to a Note, or which would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any Note or any such instrument or any right in favor of the Company in a Note or such instrument, without the written consent of the Company.

(c) The Agent shall not assign this Agreement or any of its rights, powers, duties or obligations hereunder without the express prior written consent of the Company, which shall not be unreasonably withheld.

(d) Within the shorter of the time during which a prospectus relating to the Notes is required to be delivered under the Securities Act or the term of this Agreement, the Agent will comply with all requirements imposed upon it by the Securities Act, 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 the shorter of such period or the term of this Agreement, to the Agent's best knowledge, any event or change occurs that could reasonably be considered material to the Offering or that causes any of the representations and warranties of the Agent contained herein to be untrue in any material respect, or 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, to the Agent's best knowledge, it is necessary to amend the Registration Statement or supplement the Prospectus to comply with the Securities Act, then the Agent will promptly notify the Company, and, if necessary, use reasonable efforts to assist the Company in amending the Registration Statement or supplementing the Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(e) The Agent will use reasonable efforts (i) to determine and designate the states or jurisdictions, if any, where the qualification or registration of the Notes is necessary or advisable in connection with the Offering and (ii) to assist the Company in arranging for the qualification or registration of the Notes for offering and sale under the securities laws of such states or jurisdictions and to continue such qualifications or registrations in effect for so long as may be required for purposes of the distribution of the Notes. In each state or jurisdiction in which the Notes shall have been qualified or registered as herein provided, the Agent will assist with making and filing the Company statements and reports in each year as are or may be reasonably required by the laws of such states or jurisdiction.

(f) At all times during the term of this Agreement, the Agent shall provide all information relating to the Offering, the Renewable Note Program or the Note Portfolio reasonably requested by the Company in a timely manner and shall use its best efforts to insure that such information is complete and accurate in all material respects.

(g) The Agent shall take such additional action as is reasonably requested by the Company in order to carry out the purposes of this Agreement.

ARTICLE VI
CONDITIONS

SECTION 6.01 CONDITIONS OF THE AGENT'S OBLIGATIONS. The obligation of the Agent to sell the Notes on a best efforts basis as provided herein shall be subject to the accuracy of the representations and warranties of the Company, to the performance by the Company of its obligations hereunder, and to the satisfaction of the following additional conditions:

(a) The Registration Statement shall have been declared effective by the Commission, and no stop order suspending the effectiveness thereof shall have been issued and no proceedings for that purpose shall have been initiated or, to the knowledge of the Company, or the Agent, threatened by the Commission or any state securities commission or similar regulatory body. Any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to the satisfaction of the Agent and the Agent's counsel.

(b) The Agent shall not have advised the Company of its reasonable belief that the Registration Statement or Prospectus, or any amendment thereof or supplement thereto, contains any untrue statement of a fact which is material or omits to state a fact which is material and is required to be stated therein or is necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, or, if the Agent has so advised the Company, the Company shall not have taken reasonable action to investigate such belief and, where appropriate, amend the Registration Statement or supplement the Prospectus so as to correct such statement or omission or effect such compliance.

(c) There shall not have occurred any change, or any development involving a prospective change, that materially and adversely affects the Company's condition (financial or otherwise),

earnings, operations, properties, business or business prospects from that set forth in the Registration Statement or Prospectus, and which is material and adverse or that makes it impracticable or inadvisable to proceed with the Offering of the Notes as contemplated by the Prospectus and this Agreement.

(d) The Indenture shall have been duly authorized, executed and delivered by the Company and duly qualified under the Trust Indenture Act and shall constitute a valid and binding obligation of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(e) All corporate proceedings and other legal matters in connection with this Agreement, the form of Registration Statement and the Prospectus, and the registration, authorization, issue, sale and delivery of the Notes shall have been reasonably satisfactory to the Agent's counsel, in all material respects, and the Agent's counsel shall have been furnished with such papers and information as it may reasonably have requested to enable it to pass upon the matters referred to in this Section.

(f) The Agent shall have received the opinion of Andrews Kurth LLP, counsel for the Company, dated as of the Initial Closing Date, reasonably satisfactory in form and substance to the Agent and the Agent's counsel. Such counsel, in rendering the foregoing opinion, may rely as to questions of fact upon representations or certificates of officers of the Company and of government officials, in which case its opinion is to state such reliance. Copies of any opinion, representation or certificate so relied upon shall be delivered to the Agent and to the Agent's counsel.

(g) On the Initial Closing Date, the Agent shall have received from KPMG LLP a letter, dated as of the Initial Closing Date, in form and substance satisfactory to the Agent, to the effect that they are independent accountants with respect to the Company within the meaning of the Securities Act and the applicable rules and regulations thereunder, and further stating that:

(i) In their opinion, the consolidated balance sheets of the Company as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the two-year period then ended, all audited by them and included or incorporated by reference in the Registration Statement, comply as to form in all material respects with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC.

(ii) For purposes of the letter they have:

(A) read the minutes of the stockholders' and directors' meetings of the Company;

(B) inquired of certain officials of the Company responsible for financial and accounting matters;

(C) performed the procedures specified by the American Institute of Certified Public Accountants for a review of interim financial information as described in Statement of Auditing Standards No. 71, INTERIM FINANCIAL INFORMATION, on any unaudited financial statements included or incorporated by reference in the Registration Statement; and

(D) reviewed the unaudited consolidated balance sheet of the Company as of _____ and the unaudited consolidated statements of income for the _____ and _____-month periods ended _____ and _____, each of which has been included or incorporated by reference in the Registration Statement.

(iii) Nothing came to their attention as a result of the procedures described above that caused them to believe that:

(A) any material modifications should be made to the unaudited consolidated financial statements included or incorporated by reference in the Registration Statement, for them to be in conformity with accounting principles generally accepted in the United States of America;

(B) the unaudited consolidated financial statements included or incorporated by reference in the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Securities Exchange Act of 1934, as amended, or were not prepared in conformity with generally accepted accounting principles and practices applied on a basis consistent in all material respects with those followed in the preparation of the audited financial statements of the Company included therein;

(C) the unaudited amounts of revenues, income before provision for income taxes, net income and ratio of earnings to fixed charges of the Company included or incorporated by reference in the Prospectus, or any amendment thereof or supplement thereto, were not derived from financial statements prepared in conformity with generally accepted accounting principles and practices applied on a basis consistent in all material respects with those followed in the preparation of the audited financial statements of the Company included therein;

(D) at a specified date not more than five Business Days prior to the date of the letter, there was any change in: (i) the capital stock, (ii) short term indebtedness or long-term debt of the Company and its consolidated subsidiaries, or (iii) stockholders' equity, as compared with amounts shown on the latest balance sheet incorporated by reference in the Registration Statement; or

(E) for the period from the closing date of the latest income statement filed on a Form 10-Q incorporated by reference in the Registration Statement to the closing date of the latest available income statement read by such accountants, there were any changes, as compared with the corresponding period of the previous year, in consolidated revenues, net income or in the ratio of earnings to fixed charges;

except in all cases set forth in clauses (C) and (D) above, for changes which the Registration Statement discloses have occurred or may occur or which are described in such letter.

(iv) They have compared specified dollar amounts (or percentages derived from such dollar amounts) and other financial information contained in the Registration Statement (in each case to the extent that such dollar amounts, percentage and other financial information are derived from the general accounting records of the Company and its subsidiaries subject to the internal controls of the Company's accounting system or are derived directly from such records by analysis or computation) with the results obtained from inquires, a reading of such general accounting records and other procedures specified in such letter and have found such dollar amounts, percentages and other financial information to be in agreement with such results, except as otherwise specified in such letter.

(h) The Agent shall have received from the Company a certificate, dated as of the Initial Closing Date, of the principal financial officer of the Company, to the effect that:

(i) The representations and warranties of the Company in this Agreement are true and correct as if made on and as of the date of the certificate, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under this Agreement.

(ii) No stop order or other order suspending the effectiveness of the Registration Statement or any amendment thereof or the qualification of the Notes for offering or sale have been issued, and no proceedings for that purpose have

been instituted or, to the best of his knowledge, are contemplated by the Commission or any state or regulatory body.

(iii) The signer of said certificate has carefully examined the Registration Statement and the Prospectus and any amendments thereof or supplements thereto.

(iv) Such documents contain all statements and information required to be included therein; the Registration Statement, or any amendment thereof, does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus, as amended or supplemented, does not include any untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(v) There has not occurred any change, or any development involving a prospective change, which materially and adversely affects the Company's condition (financial or otherwise), earnings, operations, properties, business or business prospects except as set forth on contemplated in the Prospectus (or in the Incorporated Documents as of the date of such certificate).

(vi) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, the Company has not incurred any material liabilities or material obligations, direct or contingent, or entered into any Material Agreements, not in the ordinary course of business consistent with past practice, and except as disclosed in the financial statements incorporated by reference in the Registration Statement, there has not been any material change in the capital stock, or any material increase in the short-term debt or long-term debt (other than consistent with past practices), or in the issuance of options (other than to directors and employees of the Company), warrants, convertible securities or other rights to purchase the capital stock, of the Company, or any material adverse change or any development involving a prospective material adverse change (whether or not arising in the ordinary course of business) in the general affairs, condition (financial or otherwise), business, key personnel, property, prospects, net worth or results of operations of the Company.

(vii) Except as stated in the Registration Statement and Prospectus, there is not pending or, to their knowledge, threatened or contemplated, any action, suit or proceeding to which the Company is a party before or by any court or governmental agency, authority or body, or any arbitrator,

which might result in any material adverse change of the condition, (financial or otherwise), business, prospects, or results of operations of the Company.

(i) The Agent shall have received a certificate of the Secretary of the Company, dated as of such Initial Closing Date, with the documents listed herein attached, and to the effect and certifying as follows:

(i) Attached thereto are true and correct copies of the certificate of incorporation of the Company, as amended to the date of the certificate, and stating that there have been no changes or amendments to the attached certificate of incorporation of the Company, and no resolutions have been adopted by the Board of Directors or stockholders of the Company relating to (A) the amendment of said certificate of incorporation; (B) the merger, consolidation or dissolution of the Company; or (C) the sale of all or substantially all of the assets or business of the Company, and that the Company is in good standing in the State of Delaware and has paid all of its corporate franchise taxes due as of the date of such certificate.

(ii) Attached thereto is a true and correct copy of the bylaws of the Company as in effect as of the date of such certificate and no resolutions have been adopted by the Board of Directors or stockholders of the Company relating to changes or amendments to the attached bylaws.

(iii) Attached thereto are true and correct copies of the resolutions of the Board of Directors of the Company relating to the preparation and signing of the Registration Statement and this Agreement, the issuance and sale of the Notes and other related matters, and such resolutions have not been amended, modified or rescinded and are in full force and effect as of the date of such certificate and are the only resolutions adopted by the Board of Directors of the Company with respect to the Offering.

(iv) The persons who have signed the Registration Statement and all amendments thereto were duly elected at the respective times of such signing and duly acting as officers and directors of the Company or as an attorney-in-fact therefor, as set forth in the Registration Statement.

(j) The Company shall deliver or shall cause to be delivered to the Agent a Blue Sky Memorandum reasonably satisfactory to the Agent confirming that all requisite actions for the offer and sale of the Notes in all jurisdictions requested by the Agent have been taken.

(k) The Company shall have furnished to the Agent and to the Agent's counsel such additional certificates, documents and evidence as the Agent shall reasonably request.

All such opinions, certificates, letters and documents will be in compliance with the provisions hereof only if they are reasonably satisfactory to the Agent and the Agent's counsel. All statements contained in any certificate, letter or other document delivered pursuant hereto by, or on behalf of, the Company shall be deemed to constitute representations and warranties of the Company.

The Agent may waive in writing the performance of any one or more of the conditions specified in this Section or extend the time for their performance.

If any of the conditions specified in this Section shall not have been fulfilled when and as required by this Agreement to be fulfilled and if the fulfillment of said condition has not been waived by the Agent, this Agreement and all obligations of the Agent hereunder may be canceled at, or at any time prior to, the Initial Closing Date by the Agent. Any such reasonable cancellation shall be without liability of the Agent to the Company and shall not relieve the Company of its obligations under Article VII hereof. Notice of such cancellation shall be given to the Company as specified in Section 8.03.

SECTION 6.02 CONDITIONS OF THE COMPANY'S OBLIGATIONS. The obligations of the Company as provided herein shall be subject to the accuracy of the representations and warranties of the Agent, the performance by the Agent of its obligations hereunder and to the Company's receipt, within five Business Days of the Initial Closing Date, of the opinion of Oppenheimer Wolff & Donnelly LLP, counsel for the Agent, dated as of the Initial Closing Date, reasonably satisfactory in form and substance to the Company and the Company's counsel. Such counsel, in rendering the foregoing opinion, may rely as to questions of fact upon representations or certificates of officers of the Agent and of government officials, in which case its opinion is to state such reliance. Copies of any opinion, representation or certificate so relied upon shall be delivered to the Company and to the Company's counsel.

ARTICLE VII
INDEMNIFICATION AND CONTRIBUTION

SECTION 7.01 THE COMPANY'S INDEMNIFICATION OF THE AGENT. The Company hereby agrees to indemnify and hold harmless the Agent, and each person, if any, who controls the Agent within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities that arise out of, or are based upon, (i) any breach, in any material respect, of any representation, warranty, agreement or covenant of the Company contained in this Agreement; (ii) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof or supplement thereto, or the omission or alleged omission to state in the Registration Statement or any amendment thereof or supplement thereto a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus or any related preliminary prospectus or prospectus supplement, or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; or (iv) any untrue statement or alleged untrue statement of a material fact contained in any application or other statement executed by the Company or based upon written information furnished by the Company filed in any jurisdiction in order to

qualify the Notes under, or exempt the Notes or the sale thereof from qualification under, the securities laws of such jurisdiction, or the omission or alleged omission to state in such application or statement a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company will reimburse the Agent and each such controlling person (subject to the limitation set forth in Section 7.03 hereof) for any legal or other expenses reasonably incurred by the Agent or controlling person in connection with investigating or defending against any such loss, claim, damage, liability or action. However, the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission (i) made in reliance upon and in conformity with the Agent Disclosure Statements or any written information furnished to the Company by the Agent specifically for use in the Registration Statement or the Prospectus (including any amendment thereof or supplement thereto) or in any application or other statement executed by the Company or the Agent filed in any jurisdiction in order to qualify the Notes under, or exempt the Notes or the sale thereof from qualification under, the securities laws of such jurisdiction (unless the Agent provided the Company with written notice of such untrue statement or omission within a reasonable time prior to the use thereof and the Company failed to undertake prompt action to correct such untrue statement or omission before its use, in which case the Company's indemnification shall nevertheless apply); or (ii) is corrected in any amendment or supplement to the Registration Statement or the Prospectus; provided that the Company has performed its obligations hereunder in respect of such amendment or supplement and, to the extent that a prospectus relating to the Notes was required to be delivered by the Agent under the Securities Act, the Agent, having been furnished by or on behalf of the Company with copies of the Prospectus as so amended or supplemented, thereafter fails to deliver such amended or supplemented Prospectus prior to or concurrently with the sale of the Notes to the person asserting such loss, claim, damage or liability.

SECTION 7.02 THE AGENT'S INDEMNIFICATION OF THE COMPANY. The Agent agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the Registration Statement, and each person who controls the Company within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities that arise out of, or are based upon, (i) any breach, in any material respect, of any representation, warranty, agreement, obligation or covenant of the Agent contained in this Agreement, (ii) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof or supplement thereto, or the omission or alleged omission to state in the Registration Statement or any amendment thereof or supplement thereto, a material fact required to be stated therein or necessary to make the statements therein not misleading; (iii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (as amended or as supplemented), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; or (iv) any untrue statement or alleged untrue statement of a material fact contained in any application or other statement executed by the Company or by the Agent and filed in any jurisdiction in order to qualify the Notes under, or exempt the Notes or the sale thereof from qualification under, the securities laws of such jurisdiction, or the omission or alleged omission to state in such application or statement a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that indemnification under subsections

(ii) through (iv) above shall extend only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with the Agent Disclosure Statements or any written information furnished to the Company by, or on behalf of, the Agent specifically for use in any application or other statement executed by the Company or by the Agent and filed in any jurisdiction (unless the Agent provided the Company with written notice of such untrue statement or omission within a reasonable time prior to the use thereof and the Company failed to undertake prompt action to correct such untrue statement or omission before its use in which case the Agent's indemnification shall not apply). The Agent will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, or controlling person (subject to the limitation in Section 7.03 hereof) in connection with investigating or defending against any such loss, claim, damage, liability or action. This indemnity agreement is in addition to any liability which the Agent may otherwise have.

SECTION 7.03 NOTICE OF INDEMNIFICATION CLAIM. Promptly after receipt by an indemnified party under Sections 7.01 or 7.02 of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against any indemnifying party under Sections 7.01 or 7.02, notify in writing the indemnifying party of the commencement thereof. Failure or delay to so notify the indemnifying party will not relieve it from any liability under Sections 7.01 or 7.02 as to the particular item for which indemnification is then being sought, except to the extent that the indemnifying party incurs or sustains damages or losses or is otherwise materially prejudiced as a result of such failure to notify or delay in notification. In case any such action is brought against any indemnified party, and the indemnified party notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel who shall be reasonably satisfactory to such indemnified party. 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 will not be liable to such indemnified party under Sections 7.01 or 7.02 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that if the defendants in any such action include both the indemnified party and the indemnifying party, and the indemnified party shall have reasonably concluded that there may be legal defenses available to it or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select one separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties, in which event the fees and expenses of such separate counsel shall be borne by the indemnifying party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel for each indemnified party separate from the indemnifying party's respective counsel(s) for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. Any such indemnifying party shall not be liable to any such indemnified party on account of any settlement of any claim or action effected without the consent of such indemnifying party.

SECTION 7.04 CONTRIBUTION. In order to provide for just and equitable contribution in any action in which the Agent or the Company (or any person who controls the Agent or the Company within the meaning of Section 15 of the Securities Act) makes claim for indemnification pursuant to Sections 7.01 or

7.02 hereof, but such indemnification is unavailable or insufficient to hold harmless and indemnify a party under Sections 7.01 or 7.02, as applicable, 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 Sections 7.01 or 7.02, as applicable, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Agent on the other from the offering of the Notes hereunder or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of the Company on the one hand and the Agent 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 Agent on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Notes (before deducting expenses) received by the Company bear to the total commissions received by the Agent. 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 Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Agent agree that it would not be just and equitable if contributions pursuant to this Section 7.04 were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in this Section 7.04. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in this Section 7.04 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim which is the subject of this Section 7.04. Notwithstanding the provisions of this Section, the Agent shall not be required to contribute any amount in excess of the amount by which (x) the total price at which the Notes which are the subject of the action were distributed to the public exceeds (y) the amount of any damages that the Agent has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

SECTION 7.05 NOTICE OF CONTRIBUTION CLAIM. Promptly after receipt by a party to this Agreement of notice of the commencement of any action, suit or proceeding, such person will, if a claim for contribution in respect thereof is to be made against another party (the "Contributing Party"), notify the Contributing Party of the commencement thereof, but the failure to so notify the Contributing Party will not relieve the Contributing Party from any liability which it may have to any party other than under Section 7.04. Any notice given pursuant to Section 7.03 hereof shall be deemed to be like notice under this Section 7.05. In case any such action, suit or proceeding is brought against any party, and such person notifies a Contributing Party of the commencement thereof, the Contributing Party will be entitled to participate therein with the notifying party and any other Contributing Party similarly notified.

SECTION 7.06 REIMBURSEMENT. In addition to its other obligations under Section 7.01 and 7.04 hereof, the indemnifying party, as applicable, agrees that, as an interim measure during the pendency of any claim, action, investigation, inquiry or other proceeding described in Section 7.01, it will

reimburse the indemnified party on a monthly basis for all legal or other 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 indemnifying party's obligation to reimburse the indemnified party 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 interim reimbursement payment is so held to have been improper, the indemnified party shall promptly return such payment to the indemnifying party.

SECTION 7.07 ARBITRATION. Any controversy rising out of the operation of the interim reimbursement arrangements set forth in Section 7.06 hereof, including the amounts of any requested reimbursement payments and the method of determining such amounts, shall be settled by arbitration conducted pursuant to the Code of Arbitration Procedure of the NASD. Any such arbitration must be commenced by service of a written demand for arbitration or a written notice of intention to arbitrate, therein electing the arbitration tribunal. If the party demanding arbitration does not make such designation of an arbitration tribunal in such demand or notice, then the party responding to said demand or notice is authorized to do so. Any such arbitration will be limited to the operation of the interim reimbursement provisions contained in Section 7.06 hereof and will not resolve the ultimate propriety or enforceability of the obligation to indemnify for expenses which is created by the provisions of Sections 7.01 and 7.02 hereof or the obligation to contribute to expenses which is created by the provisions of Section 7.04 hereof.

SECTION 7.08 INTELLECTUAL PROPERTY INFRINGEMENT. The Agent agrees that it shall defend, indemnify and hold harmless, at its own expense, all suits and claims against the Company and any officers, directors, employees and affiliates of the Company (collectively, the "Company Indemnified Parties"), for infringement or violation of any patent, trademark, copyright, trade secret or other intellectual property rights of any third party that relates to this Agreement or the Offering, sale or servicing of the Notes. The Agent agrees that it shall pay all sums, including without limitation, reasonable attorneys' fees and other costs incurred by the Company, in defense of, by final judgment or decree, or in settlement of any suit or claim asserted or assessed against, or incurred by, any of the Company Indemnified Parties on account of such infringement or violation, provided that the Company Indemnified Parties involved shall cooperate in all reasonable respects with the Agent and its attorneys in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom; provided, however, that the Company Indemnified Parties may, at their own cost, participate in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. The parties shall cooperate with each other in any notifications to insurers.

SECTION 7.09 CONFIDENTIALITY. The parties to this Agreement acknowledge and agree that all information, whether oral or written, concerning a disclosing party and its business operations, prospects and strategy, which is furnished by the disclosing party to the other party is deemed to be confidential, restricted and proprietary to the disclosing party (the "Proprietary Information"). Proprietary Information supplied shall not be disclosed, used or reproduced in any form except as required to accomplish the intent of, and in accordance with the terms of, this Agreement and the Indenture. The receiving party shall provide the same care to avoid disclosure or unauthorized use of Proprietary Information as it provides to protect its own proprietary information, including

without limitation retaining Proprietary Information in a secure place with limited access, but in no event shall the receiving party fail to use reasonable care under the circumstances to avoid disclosure or unauthorized use of Proprietary Information. Unless otherwise specified in writing, all Proprietary Information shall (i) remain the property of the disclosing party, (ii) be used by the receiving party only for the purpose for which it was intended under this Agreement and the Indenture, and (iii) together with all copies of such information, be returned to the disclosing party or destroyed upon request of the disclosing party, and, in any event, upon termination of this Agreement, except as otherwise provided or contemplated by this Agreement, including Sections 3.02(e) and 8.05 hereof. Proprietary Information does not include information which is: (a) published or included as disclosure within the Registration Statement or otherwise available in the public domain through no fault of the receiving party; (b) lawfully received from a third party having rights in the information without restriction of the third party's right to disseminate the information and without notice of any restriction against its further disclosure; or (c) produced under order of a court of competent jurisdiction or other similar requirement of a governmental agency or authority, so long as the party required to disclose the information provides the other party with prior notice of such order or requirement and its cooperation to the extent reasonable in preserving its confidentiality. Because damages may be difficult to ascertain, and without limiting any other rights and remedies specified herein, an injunction may be sought against the party who has breached or threatened to breach this Section.

ARTICLE VIII
TERM AND TERMINATION

SECTION 8.01 EFFECTIVE DATE OF THIS AGREEMENT. This Agreement shall become effective as of the date first set forth above, and shall continue in full force and effect until terminated as provided below.

SECTION 8.02 TERMINATION PRIOR TO INITIAL CLOSING DATE. This Agreement may be terminated by the Agent, at its option, by giving notice to the Company, if (i) the Company shall have failed, refused, or been unable, at or prior to the Initial Closing Date, to perform any agreement on its part to be performed hereunder; (ii) any other condition of the Agent's obligations hereunder is not fulfilled or waived by the Agent; (iii) a banking moratorium shall have been declared by federal, New York or Minnesota authorities; (iv) there shall have been such a serious, unusual and material change in general economic, monetary, political or financial conditions, or the effect of international conditions on the financial markets in the United States shall be such as, in the judgment of the Agent, makes it inadvisable to proceed with the delivery of the Notes; (v) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which, in the reasonable judgment of the Agent, materially and adversely affects or will materially and adversely affect the business or operations of the Company; or (vi) there shall be a material outbreak of hostilities or material escalation and deterioration in the political and military situation between the United States and any foreign power, or a formal declaration of war by the United States of America shall have occurred. Any such termination shall be without liability of any party to any other party, except as provided in Sections 7.01, 7.02 and 7.04 hereof; provided, however, that the Company shall remain obligated to pay costs and expenses to the extent provided in Section 2.03 hereof.

SECTION 8.03 NOTICE OF TERMINATION. If the Agent elects to terminate this Agreement as provided in Section 8.02, it shall notify the Company and the Company's counsel promptly by telephone or transmitted by any standard form of telecommunication, confirmed by letter sent to the address specified in Section 9.02 hereof.

SECTION 8.04 TERMINATION AFTER INITIAL CLOSING DATE. The Company or the Agent may terminate this Agreement at any time subsequent to the Initial Closing Date in whole or in part as more specifically provided below, and in such case, the Agent will be paid fees and commissions incurred up to the date of such termination plus its expenses accrued as of such date within 30 days of such termination:

(a) The Company will have the ability to terminate this Agreement in the following manner:

(i) with respect to the Company's termination of the Agent's activities to market and sell the Notes, the Company must provide at least seven days prior written notice to the Agent, and

(ii) with respect to the Company's termination of the Agent's administration activities relating to the Notes, the Company will provide at least 30 days prior written notice to the Agent;

(b) The Agent will have the ability to terminate this Agreement in the following manner:

(i) with respect to the termination of the Agent's activities to market and sell the Notes, the Agent must provide at least 30 days prior written notice to the Company, except as otherwise provided herein or in the event of any material breach hereof by the Company, in which case such termination may be effective upon one days' notice, and

(ii) with respect to the termination of the Agent's other activities relating to the Notes, the Agent must provide at least 60 days prior written notice to the Company; provided, however, that in either case of clause (i) or (ii) of this sentence, the Company may decrease the time periods for terminating the Agent's activities by providing the Agent with notice for termination consistent with the preceding Section 8.04(a).

(c) In the event of termination of the Agent's activities to market and sell the Notes under Sections 8.04(a)(i) or (b)(i), above, but not the administration activities as set forth in Sections 8.04(a)(ii) or (b)(ii), the Company will continue to be obligated to pay the portfolio fee under Section 2.03(a)(ii) but will have no obligation to pay commissions under Section 2.03(a)(i) and Section 2.03(c) accruing from and after the effective date of such termination.

(d) In the event of the termination of the administration of the Notes by the Agent pursuant to Sections 8.04(a)(ii) or (b)(ii), but not the termination of the sales and marketing of the Notes by the Agent pursuant to Sections 8.04(a)(i) or (b)(i), the Company will

continue to be obligated to pay the commission fee under Section 2.03(a)(i), but will not be obligated to pay the portfolio fee under Section 2.03(a)(ii) for periods after the effective date of such termination.

SECTION 8.05 TERMINATION WITHOUT TERMINATION OF OFFERING. Anything to the contrary notwithstanding, the termination of this Agreement shall not prevent the Company from commencing or cause the Company to terminate the Offering. In the event this Agreement is terminated without a termination of the Offering, then the Company, or its agents, shall be entitled to use all materials developed by the Agent related to the Notes as provided elsewhere herein.

ARTICLE IX
MISCELLANEOUS

SECTION 9.01 SURVIVAL. The respective indemnity and contribution agreements of the Company and the Agent set forth herein and the respective representations, warranties, covenants and agreements of the Company and the Agent set forth herein, shall remain operative and in full force and effect, regardless of any investigation made by, or on behalf of, the Agent, the Company, any of its officers and directors, or any controlling person referred to in Article VII and shall survive the sale of the Notes and any termination or cancellation of this Agreement. Any successor of any party or of any such controlling person, or any legal representative of such controlling person, as the case may be, shall be entitled to the benefit of the respective indemnity and contribution agreements.

SECTION 9.02 NOTICES. All notices or communications hereunder, except as herein otherwise specifically provided, shall be in writing and shall be mailed, delivered or transmitted by any standard form of telecommunication, as follows:

If to the Agent, to:
Sumner Harrington Ltd.
11100 Wayzata Boulevard
Suite 170
Minneapolis, Minnesota 55305
Attention: K. Edward Elverud
Tel. (952) 542-7952

with a copy to:
Oppenheimer Wolff & Donnelly LLP
45 South 7th Street
Suite 3300
Minneapolis, Minnesota 55402
Attention: Michael J. Kolar
Tel. (612) 607-7000

If to the Company, to:	Consumer Portfolio Services, Inc. 16355 Laguna Canyon Road Irvine, CA 92618 Attention: Chief Financial Officer Telecopier: 949-753-6897
with copies to:	Andrews Kurth LLP 1717 Main Street, Suite 3700 Dallas, TX 75201 Attention: Mark Harris Tel. 214-659-4773

SECTION 9.03 SUCCESSORS AND ASSIGNS; TRANSFER. This Agreement shall inure to the benefit of and be binding upon the Agent and the Company and their respective successors and permitted assigns, and the officers, directors and controlling persons referred to in Article VII. Nothing expressed in this Agreement is intended or shall be construed to give any person or corporation, other than the parties hereto, their respective successors and assigns, and the controlling persons, officers and directors referred to in Article VII, any legal or equitable right, remedy or claim under, or in respect of, this Agreement or any provision herein contained; this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and their respective executors, administrators, successors, assigns and such controlling persons, officers and directors, and for the benefit of no other person or corporation. Neither party may assign its rights and obligations under this Agreement without the written consent of the other party.

SECTION 9.04 CUMULATIVE REMEDIES. Unless otherwise expressly provided herein, the remedies of the parties provided for herein shall be cumulative and concurrent, and may be pursued singularly, successively or together, at the sole discretion of the party for whose benefit such remedy is provided, and may be exercised as often as occasion therefor shall arise.

SECTION 9.05 ATTORNEYS' FEES. In the event of any action to enforce or interpret this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, whether or not such action proceeds to judgment.

SECTION 9.06 ENTIRE AGREEMENT. Except as otherwise expressly provided herein, this Agreement constitutes the entire agreement of the parties hereto with respect to the matters addressed herein and supersedes all prior or contemporaneous contracts, promises, representations, warranties and statements, whether written or oral (including, but not limited to, the Proposal), with respect to such matters.

SECTION 9.07 CHOICE OF LAW; VENUE. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without regard to conflict of law principles.

SECTION 9.08 RIGHTS TO INVESTOR LISTS. The parties acknowledge that the Offering will produce a list of investors that purchase Notes, a list of prospects that respond to advertisements, but do not purchase any Notes, a list of former investors who redeemed their Notes, and a list of former investors

whose Notes the Company redeemed. Subject to compliance with any applicable privacy laws, both the Company and the Agent will be able to use these lists for their own business purposes as long as doing so does not interfere with the marketing, sale or administration of the Notes.

SECTION 9.09 WAIVER; SUBSEQUENT MODIFICATION. Except as expressly provided herein, no delay or omission by any party in insisting upon the strict observance or performance of any provision of this Agreement, or in exercising any right or remedy, shall be construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy, and no waiver by any party or any failure or refusal of the other party to comply with its obligations under this Agreement shall be deemed a waiver of any other or subsequent failure or refusal to so comply by such other party. No waiver or modification of the terms hereof shall be valid unless in writing and signed by the party to be charged, and then only to the extent therein set forth.

SECTION 9.10 SEVERABILITY. If any term or provision of this Agreement or application thereof to any person or circumstance shall, to any extent, be found by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term or provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

SECTION 9.11 JOINT PREPARATION. The preparation of this Agreement has been a joint effort of the parties and the resulting document shall not, solely as a matter of judicial construction, be construed more severely against one of the parties than the other.

SECTION 9.12 CAPTIONS. The title of this Agreement and the headings of the various articles, section and subsections have been inserted only for the purpose of convenience, are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement.

SECTION 9.13 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

SECTION 9.14 THIRD PARTY CONTRACTORS. SECTION 9.15 In the event that the Company engages a third party to perform any of the obligations of the Agent under this Agreement, including, without limitation, coordinating the receipt and logging of incoming Subscription Agreements to purchase Notes and accompanying funds and documents, the Company shall provide written notice to the Agent of such engagement, the Agent shall thereafter be relieved of any such obligations for which the third party was engaged, and in no event shall the Agent be liable for, or be obligated to indemnify the Company with regard to, any act (or failure to act) of such third party. The Company agrees to indemnify the Agent against any loss, claim, damage or liability arising from the Company's engagement of any such third party or such third party's acts (or failures to act) in a manner consistent with the provisions of Article VII hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Distribution and Management Agreement is hereby entered into by the undersigned parties as of the date first set forth above.

CONSUMER PORTFOLIO SERVICES, INC.

By: _____
Name: _____
Title: _____

SUMNER HARRINGTON LTD.

By: _____
Name: K. Edward Elverud
Title: President

SUMNER HARRINGTON AGENCY, INC.
(for purposes of Sections 2.05 and 3.01 only)

By: _____
Name: _____
Title: _____

EXHIBIT A

SUMNER HARRINGTON AGENCY, INC. SERVICES

The following describes the media planning, media buying and other marketing services to be provided by Sumner Harrington Agency, Inc ("Agency") to Consumer Portfolio Services, Inc. ("Company") in connection with the offer and sale of Company's renewable, unsecured, subordinated notes (the "Notes"), as more specifically defined in, and pursuant to the terms of, the Distribution and Management Agreement between Company and Sumner Harrington Ltd., the parent company of Agency ("Agent") to which this description is an exhibit.

1. AGENCY SERVICES.

Agency will perform the following services for Company:

- Employ on Company's behalf Agency's knowledge of the available media and marketing approaches that can effectively be used to promote the issuance of the Notes on a "direct to the consumer" basis.
- Acting on the study, analysis and knowledge of the product described above, formulate and recommend a marketing and media plan (or plans).
- In the execution of the plan (or plans), when approved by Company:
  - Order space, time or other marketing services and materials to be used for advertising, endeavoring to secure the most advantageous rates available.
  - Check and verify insertions, displays, broadcasts or other means used.
  - Audit invoices for space and time and other marketing services performed on Company's behalf.

2. GENERAL PROVISIONS.

APPROVAL OF EXPENDITURES: Agency agrees to secure Company's written approval of all expenditures in connection with Company's plans.

CANCELLATION OF PLANS: Company reserves the right to modify, reject, cancel or stop any and all plans, schedules or work in progress. In such event Agency shall take reasonable steps to carry out Company's instructions as promptly as practicable. Company agrees to assume liability for all commitments made by Agency on its behalf, and to reimburse Agency for any losses (including cancellation penalties) that Agency may sustain derived therefrom and for all expenses incurred in connection with Company approved plans on its authorization, and to pay Agency any service charges relating thereto, in accordance with the provisions hereof.

FAILURE OF SUPPLIERS TO PERFORM: Agency will endeavor to the best of its knowledge and ability guard against any loss to Company through failure of media or suppliers to properly execute their commitments, but shall not be held responsible for any failure on their part.

CONFIDENTIALITY: Agency acknowledges its responsibility to use all reasonable efforts to preserve the confidentiality of any proprietary or confidential information or data developed by Agency on behalf of Company or disclosed by Company to Agency.

RESPONSIBILITY OF AND INDEMNIFICATION BY AGENCY: Agency agrees to indemnify and hold Company, its officers, directors, agents and employees harmless from and against any claims, liabilities, losses, costs, expenses, or the like, including reasonable attorneys' fees, incurred in respect to any material breach by Agency hereof or Agency's negligence and/or intentional wrongdoing in connection with the services.

RESPONSIBILITY OF AND INDEMNIFICATION BY COMPANY: Company agrees to indemnify and hold Agency, its officers, directors, agents and employees harmless from and against any claims, liabilities, losses, costs, expenses, or the like, including reasonable attorneys' fees, incurred in respect to any material breach by Company of this Agreement or Company's negligence and/or intentional wrongdoing in connection with the services. Company shall be responsible for the accuracy, completeness and propriety of information concerning its products and services that it furnishes to Agency in connection with the performance of the services.

3. CHARGES.

- CHARGES FOR ADVERTISING SPACE AND TIME: Company agrees to pay the media expense directly to Agency. Payment will be at current published gross rates (or at lower gross rates when available) for advertising that runs in all media or the difference between the published gross advertising rates and the net advertising rates or an equivalent mark-up.

- RATE ADJUSTMENTS:

  - SHORT RATES: If, in a medium having a schedule of graduated rates, less space or time than contracted for is used, Company is to pay the difference, if any, between the rate billed and the rate actually earned.

  - OTHER REFUNDS: Agency shall refund or credit Company any other refunds received by us in connection with advertising space or time.

- OTHER MARKETING EXPENSES. Company agrees to pay Agency for all other out of pocket, non-media charge marketing expenses related to the development and production of all direct marketing and promotional materials. All work will be outlined in a Project Fee Estimate and must be approved in writing by Company.

4. TERMS OF PAYMENT.

- TIMING OF PAYMENT: To the extent that the aggregate fee portion of the advertising and media costs owed to Agency hereunder causes the total compensation and fees payable to Agent and Agency to exceed the limitations in Section 2.03(e) of the Agreement, the excess amount will accrue until such time as Company has sold a sufficient amount of Notes. To the extent Agent's aggregate fee portion of the advertising and media costs is permitted to be paid pursuant to the foregoing sentence, Agent will issue an invoice to Company for such amount.

- TERMS OF PAYMENT: Payment of invoices will be due either by check or wire transfer, as requested by Agency, within 30 days.

- WIRE INSTRUCTIONS: Payment of invoices are to be made by wire transfer to:

  The Business Bank
  Minnetonka, MN
  ABA# 091017099
  FC: Sumner Harrington Agency, Inc.
  Acct# 102657

- COMPANY AGREEMENT TO PAY: Company agrees to pay Agency invoices on payment dates stated thereon. So that Company may have sufficient time to audit and pay Agency bills and that Agency may have sufficient time to pay the media suppliers, by payment date, Agency will mail media invoices at least 15 days before payment due date.

- RIGHT TO CHANGE PAYMENT TERMS: Agency reserves the right in case of delinquency in Company payments, or such impairment of Company's credit as in Agency's opinion might endanger future payments to Agency, to change the requirements as to terms of payment under this Agreement, including but not limited to, payment in advance for all Agency services and purchases including media advertising when applicable.

5. TERMINATION.

- PERIOD OF SERVICES: The services provided by Agency shall begin upon execution and delivery of the Distribution and Management Agreement and shall continue until termination of Agent's activities to market and sell the Notes thereunder.

- PAYMENT FOR PURCHASES AND WORK DONE: Any materials, services, etc. Agency has committed to purchase for Company's account, or with Company's approval (or any uncompleted work previously approved by Company either specifically or as part of a plan) prior to termination of the Services shall be paid for by Company in accordance with the provisions of this Agreement.

EXHIBIT 4.1

INDENTURE

Dated as of January __, 2005,

by and between

Consumer Portfolio Services, Inc., as obligor

and

Wells Fargo Bank, National Association,
a national banking association, as trustee

$100,000,000.00

Renewable Unsecured Subordinated Notes

TABLE OF CONTENTS

CROSS-REFERENCE TABLE

*Trust Indenture Act Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	N.A.
(b)	7.8; 7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.5
(b)	11.3
(c)	11.3
313(a)	7.6
(b)(1)	N.A.
(b)(2)	7.6
(c)	7.6; 11.2
(d)	7.6
314(a)	4.3; 4.4; 11.2
(b)	N.A.
(c)(1)	11.4
(c)(2)	11.4
(c)(3)	11.4; 1.1
(d)	N.A.
(e)	11.5
(f)	N.A.
315(a)	7.1(b)
(b)	7.5; 11.2
(c)	7.1(a)
(d)	7.1(c)
(e)	6.11
316(a)(last sentence)	2.9
(a)(1)(A)	6.5
(a)(1)(B)	6.4
(a)(2)	N.A.
(b)	6.7
(c)	N.A.
317(a)(1)	6.8
(a)(2)	6.9
(b)	2.4
318(a)	11.1

N.A. means not applicable
* This Cross Reference Table is not part of the Indenture

THIS INDENTURE is hereby entered into as of January ___, 2005, by and between Consumer Portfolio Services, Inc., a California corporation (the "COMPANY"), as obligor, and Wells Fargo Bank, National Association, a national banking association, as trustee (the "TRUSTEE").

The Company and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the renewable, unsecured, subordinated debt securities of the Company issued pursuant to the Company's registration statement on Form S-2, declared effective by the Securities and Exchange Commission on or about January __, 2005 (the "REGISTRATION STATEMENT"):

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1 DEFINITIONS.

"ACCOUNT" means the record of beneficial ownership of a Security maintained by the Registrar.

"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" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"AGENT" means any Registrar, Paying Agent or co-registrar of the Securities or any Person appointed and retained by the Company to perform certain of the duties or obligations, or exercise certain of the rights and discretions, of the Company hereunder, on behalf of the Company pursuant to Section 2.15 hereof.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or any authorized committee of the Board of Directors.

"BUSINESS DAY" means any day other than a Legal Holiday.

"COMPANY" means Consumer Portfolio Services, Inc., a California corporation, unless and until replaced by a successor in accordance with Article V hereof and thereafter means such successor.

"CORPORATE TRUST OFFICE" means the office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date as of which this Indenture is originally dated, located at Sixth Street and Marquette Avenue, MAC N9303-120, Minneapolis, Minnesota, 55479, Attention: Consumer Portfolio Services, Inc. Administrator.

"DEFAULT" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FISCAL YEAR" means a year ending December 31.

"GAAP" means, as of any date, generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession, which are in effect from time to time.

"GUARANTEE" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"HOLDER" means a Person in whose name a Security is registered.

"INDEBTEDNESS" means, with respect to any Person and without duplication, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing the balance deferred and unpaid of the purchase price of any property (including capital lease obligations) or the expenditure for any services or representing any hedging obligations, including without limitation, any such balance that constitutes an accrued expense or an account or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and hedging obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, and also includes, to the extent not otherwise included, (a) the Guarantee of items that would be included within this definition, and (b) liability for items that would arise by operation of a Person's status as a general partner of a partnership.

"INDENTURE" means this Indenture as amended or supplemented from time to time.

"INTEREST ACCRUAL PERIOD" means, as to each Security, the period from the later of the Issue Date of such Security or the last Payment Date upon which an interest payment was made until and including the day before the following Payment Date during which interest accrues on each Security with respect to any Payment Date.

"ISSUE DATE" means, with respect to any Security, the date on which such Security is deemed registered on the books and records of the Registrar, which shall be (i) the date the Company accepts funds for the purchase of the Security if such funds are received prior to 12:01 p.m. (Central Time) on a Business Day, or if such funds are not so received, on the next Business Day, or (ii) the date that the Security is renewed as of the Maturity Date pursuant to Section 2.1(e).

"MATURITY DATE" means, with respect to any Security, the date on which the principal of such Security becomes due and payable as therein provided.

"MATURITY RECORD DATE" means, with respect to any Security, as of 11:59 p.m. of the date 15 days prior to the Maturity Date or Redemption Date applicable to such Security.

"NOTICE OF MATURITY" means a written notice from the Company to a Holder (as further described in Section 2.1(d)) that the Holder's Securities will be maturing on the related Maturity Date occurring within 15 days but not less than 10 days of the delivery of such notice.

"OBLIGATIONS" means any principal, interest (including Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"OFFICER" means the Chairman of the Board or principal executive officer of the Company, the President or principal operating officer of the Company, the Chief Financial Officer or principal financial officer of the Company, the Treasurer, Controller or principal accounting officer of the Company, Secretary or any Executive or Senior Vice-President of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers, one of whom must be the principal executive officer, principal operating officer, principal financial officer or principal accounting officer of the Company; provided, however, that if the opinion of an accountant is required pursuant to TIA ss. 314(c)(3), the certificate must be signed by an Officer who is an accountant.

"OPINION OF COUNSEL" means an opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"PARI PASSU DEBT" means any Indebtedness of the Company that is payable on a pari passu basis with the Securities.

"PAYMENT ACCOUNT" means the bank account designated by the Holder to receive payments of interest and/or principal due on such Holder's Securities, as may be amended by the Holder by written notice to the Registrar from time to time.

"PAYMENT DATE" means (i) with respect to any Security for which monthly interest payments are required to be made, the first day of the following calendar month or such other date as is designated by the Holder pursuant to subsection 2.1(c), (ii) with respect to any Security for which interest is required to be made quarterly, semi-annually or annually, the same day of the month as the quarterly, semi-annual or annual anniversary of the Issue Date of the Security (except in the case where the Issue Date of a Security is the 29th, 30th or 31st day of the month and there is no like date in the anniversary month, in which case the Payment Date for such month shall be the first day of the following month) and (iii) with respect to each Security, the Maturity Date (or such date following the Maturity Date on which payment is made pursuant to subsection 2.1(d) hereof), the Repurchase Date or the Redemption Date of the Security; provided, that if any such day in the preceding clauses (i) through (iii) is not a Business Day, the Business Day immediately following such day.

"PERSON" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"POST-PETITION INTEREST" means interest accruing after the commencement of any bankruptcy or insolvency case or proceeding with respect to the Company or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, at the rate applicable to the related Indebtedness, whether or not such interest is an allowable claim in any such proceeding.

"PROSPECTUS" means the prospectus included in the Registration Statement at the time it was declared effective by the SEC, as supplemented by any prospectus supplement (including interest rate supplements) relating to the Securities that are filed with the SEC pursuant to Rule 424(b) under the Securities Act. References herein to the Prospectus shall be deemed to refer to and include the documents incorporated therein by reference.

"QUALIFIED SALES AND FINANCING TRANSACTION" means any transaction or series of transactions (including without limitation the performance and liquidation or termination of such transactions) that may be entered into, sponsored or conducted by the Company or any of its Affiliates pursuant to which the Company or any of its Affiliates may sell, convey, finance, pledge or otherwise transfer to (a) a Special Purpose Entity (in the case of a transfer by the Company or any of its Affiliates) or (b) any other Person (in the case of a transfer by the Company or a Special Purpose Entity), or may grant a security interest in or pledge, any Receivables, any securities backed by or any interests in Receivables (whether now existing or arising or acquired in the future) and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and contract rights and all guarantees or other obligations in respect of such Receivables, proceeds of such Receivables and other assets (including contract rights), which are customarily sold, transferred or pledged as security in connection with asset securitization, secured financing or other transactions involving Receivables, including the ability to finance and sell the residual cash flows retained from all such transactions.

"RECEIVABLES" means installment sale contracts, loans evidenced by promissory notes secured by assets, leases, mortgages or other finance receivables or instruments purchased, originated or owned by the Company or any of its Affiliates.

"REDEMPTION NOTICE" means a written notice from the Company to the Holders (as further described in Section 2.1(f)) stating that the Company is redeeming all or a specified portion of Securities pursuant to Section 3.1, with a copy to the Registrar and the Trustee.

"REDEMPTION PRICE" means, with respect to any Security to be redeemed, the principal amount of such Security plus the interest accrued but unpaid during the Interest Accrual Period up to and not including the Redemption Date for such Security.

"REGULAR RECORD DATE" means, with respect to each Payment Date, as of 11:59 p.m. of the date 15 days prior to such Payment Date.

"REPAYMENT ELECTION" means a written notice from a Holder to the Company (as further described in Section 2.1(d)) stating that repayment of the Holder's Securities is required in connection with the maturity of such Securities.

"REPURCHASE PRICE" means, with respect to any Security to be repurchased, the principal amount of such Security plus the interest accrued but unpaid during the Interest Accrual Period up to and not including the Repurchase Date for such Security, minus the Repurchase Penalty, if any.

"REPURCHASE REQUEST" means a written notice from a Holder to the Company (as further described in Section 2.1(g)) stating that such Holder is making an irrevocable request for the Company to repurchase such Holder's Securities pursuant to Section 3.2.

"RESPONSIBLE OFFICER" when used with respect to the Trustee, means any officer in its Corporate Trust Office, or any other assistant officer of the Trustee in its Corporate Trust Office customarily performing functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

"SEC" means the U.S. Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SECURITY" or "SECURITIES" means, the Company's renewable, unsecured, subordinated notes issued under this Indenture pursuant to the Registration Statement.

"SENIOR DEBT" means any Indebtedness other than the Securities (whether outstanding on the date hereof or thereafter created) incurred by the Company (including its subsidiaries) whether such Indebtedness is or is not specifically designated by the Company as being "Senior Debt" in its defining instruments.

"SERVICING AGENT" means Sumner Harrington Ltd., a Minnesota corporation.

"SPECIAL PURPOSE ENTITIES" means Affiliates of the Company formed for the specific purpose of securitizing auto loan receivables or facilitating the Company's warehouse, residual and other financing facilities.

"SUBSCRIPTION AGREEMENT" means a Subscription Agreement entered into by a Person under which such Person has committed to purchase certain Securities as identified thereby and which is in substantially the form filed as Exhibit ___ to the Registration Statement.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. ss.ss. 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA.

"TOTAL PERMANENT DISABILITY" means a determination by a physician approved by the Company that the Holder of a Security who is a natural person, who was gainfully employed on a full time basis at the Issue Date of such

Security is unable to work on a full time basis during the succeeding twenty-four months. For purposes of this definition, "working on a full time basis" shall mean working at least forty hours per week.

"TRUSTEE" means Wells Fargo Bank, National Association, a national banking association, until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations of the United States of America, or any agency or instrumentality thereof for the payment of which the full faith and credit of the United States of America is pledged.

"WRITTEN CONFIRMATION" means a written confirmation of the acceptance of a subscription for, or the transfer or pledge of, a Security or Securities in the form of a transaction statement executed or issued by the Company or its duly authorized Agent and delivered to the Holder of such Security or Securities with a copy to the Registrar and the Trustee, which is in substantially the form of Exhibit ___ to the Registration Statement.

SECTION 1.2 OTHER DEFINITIONS.

Term	Defined in Section
"Bankruptcy Law"	6.1
"Custodian"	6.1
"Event of Default"	6.1
"Legal Holiday"	11.7
"Paying Agent"	2.3
"Payment Blockage Period"	10.3
"Payment Notice"	10.3
"Redemption Date"	2.1(f)
"Registrar"	2.3
"Registration Statement"	Introduction
"Repurchase Date"	3.2(d)
"Repurchase Penalty"	3.2(b)
"Securities Register"	2.3

SECTION 1.3 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

(a) Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"INDENTURE SECURITIES" means the Securities;

"INDENTURE SECURITY HOLDER" means any Holder of the Securities;

"INDENTURE TO BE QUALIFIED" means this Indenture;

"INDENTURE TRUSTEE" or "INSTITUTIONAL TRUSTEE" means the Trustee;

"OBLIGOR" on the Securities means the Company or any successor obligor upon the Securities.

(b) All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by a SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.4 RULES OF CONSTRUCTION.

Unless the context otherwise requires: (a) a term has the meaning assigned to it; (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP; (c) references to GAAP, as of any date, shall mean GAAP in effect in the United States as of such date; (d) "or" is not exclusive; (e) words in the singular include the plural, and in the plural include the singular; and (f) provisions apply to successive events and transactions.

ARTICLE II

THE SECURITIES

SECTION 2.1 SECURITY TERMS; AMOUNT; ACCOUNTS; INTEREST; MATURITY.

(a) UNLIMITED AMOUNT AND FORM OF SECURITY. The outstanding aggregate principal amount of Securities to be issued hereunder (absent an amendment to the Registration Statement) is limited to $100 million, provided, however, that the Company and the Trustee may, without the consent of any Holder, increase such aggregate principal amount of Securities which may be outstanding at any time. The Securities are unsecured obligations of the Company and shall be subordinate in right of payment to the Senior Debt of the Company as further described in Article X. The Securities are an obligation and liability of the Company, and not of any other Person, including, without limitation, any shareholder, director, Officer, employee, Affiliate or Agent of the Company. The Securities are not certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation, any other governmental or private fund, any securities insurer or any other Person.

In the event issued in certificated form pursuant to Section 2.13(b): (i) the Securities, together with the Trustee's certificate of authentication, shall be in substantially the form set forth as EXHIBIT A to this Indenture, with any appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing

such Securities, as evidenced by their execution of the Securities; (ii) any portion of the text of any Securities may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Securities; and (iii) the Securities may be subject to notations, legends or endorsements required by law, stock exchange rule, or agreements to which the Company is subject or usage.

(b) BOOK-ENTRY; DENOMINATIONS; TERM. Except as provided in Section 2.13(b), each Security shall neither be issued as, nor evidenced by, a promissory note or certificated security, but rather each Security shall be issued in book entry or uncertificated form, in which the record of beneficial ownership of each such Security shall be established and maintained as Accounts by the Registrar pursuant to Section 2.13. In connection with the issuance of each Security in book entry form in accordance with Section 2.13, each such Security shall be deemed to be represented in an uncertificated form that includes the same terms and provisions as those set forth in the form of Security in EXHIBIT A to this Indenture, and the related Account for each such Security shall be deemed to include these same terms and provisions.

Each Security shall be in such denominations as provided by this Indenture and as may be designated from time to time by the Company, but in no event in an original denomination less than $1,000. Separate purchases may not be cumulated to satisfy the minimum denomination requirements. Each Security shall have a term of three or six months, or one, two, three, four, five or ten years, as designated by the Holder at the time of purchase, subject to the Company's acceptance thereof.

(c) INTEREST AND INTEREST PAYMENTS. Each Security shall bear interest from and commencing on its Issue Date at such rate of interest as the Company shall determine from time to time, which rate may vary from Holder to Holder depending upon the aggregate principal amount of Securities held by such Holder and all immediate family members, as set forth in the Prospectus; provided, however, that the interest rate of each Security will be fixed for the term of such Security upon issuance, subject to change upon the renewal of the Security at maturity. Interest on the Securities will compound daily based on a calendar year consisting of 365 days and the Holder thereof may elect to have interest paid monthly, quarterly, semi-annually, annually, or upon maturity, which payments shall be made on the Payment Date, except that a Holder who elects monthly payments may select the day of the month on which to receive interest payments; provided that no interest shall be paid to a Holder until the expiration of the Holder's rescission right under Section 2.2(b) and, if the monthly interest payment date selected by the Holder is within five Business Days of the Issue Date of the Security, the first interest payment will be made in the following month and will include all of the interest earned since the Issue Date. If the Holder does not elect an interest payment option, interest will be paid on the Maturity Date of the Note. A Holder may change this election once during the term of the Security, subject to the Company's approval, which change shall be effective by the first Business Day following the 45th day after receipt of written notice from the Holder requesting such change.

(d) REPAYMENT ELECTION AT MATURITY. The Company will send each Holder of a Security (existing as of the applicable Maturity Record Date) a Notice of Maturity approximately 15 but not less than 10 days

prior to the Maturity Date of the Security held by such Holder reminding such Holder of the pending maturity of the Security and reminding the Holder that the automatic renewal provision described in Section 2.1(e) will take effect, unless (i) the Company states in the Notice of Maturity that it will not allow the Holder to renew the Security (in which case the Company shall pay the Holder principal and accrued interest with regard to the Security on the Maturity Date), or (ii) the Holder delivers a Repayment Election to the Company for the payment of all principal and interest due on the Security as of the Maturity Date so that such Repayment Election is received by the Company within 15 days after the Maturity Date. Such Notice of Maturity shall also state that payment of principal of a Security shall be made upon presentation of a Repayment Election requiring payment of such Security and shall specify the place where such Repayment Election may be presented. Upon or following the delivery of a Notice of Maturity for a Security, the Holder thereof, in their discretion, may deliver to the Company a Repayment Election; provided that such Repayment Election must be delivered to the Company no later than 15 days after the Maturity Date. If a Holder delivers a Repayment Election requiring repayment on or prior to the 15th day following the Maturity Date, no interest will accrue after the Maturity Date and the Holder will be sent payment upon the later of the Maturity Date or five days following the date the Company receives such Repayment Election from the Holder; provided that if the Company has previously paid interest to the Holder for periods after the Maturity Date, such interest shall be deducted from such payment.

The Notice of Maturity also shall state that the Holder may, and the Holder may, submit a Repayment Election for the repayment of the maturing Security and use all or a portion of the proceeds thereof to purchase a new Security with a different term. To exercise this option, the Holder shall complete a new Subscription Agreement for the new Security and send it along with the Holder's Repayment Election to the Company. The Issue Date of the new Security shall be the Maturity Date of the maturing Security. Any proceeds from the maturing Security that are not applied to the purchase of the new Security shall be sent to the Holder of such maturing Security.

If a Security pays interest only on the Maturity Date, then the Notice of Maturity also shall state that the Holder may, and the Holder may, submit an "interest-only" Repayment Election in which the Holder requires the payment of the accrued interest that such Holder has earned on the maturing Security up to the Maturity Date and allows the principal amount of such maturing Security to renew in the manner provided in subsection (e) below.

(e) AUTOMATIC RENEWAL. If a Holder of such Security has not delivered a Repayment Election for repayment of the Security on or prior to the 15th day following the Maturity Date, and the Company did not notify the Holder of its intention to repay the Security in the Notice of Maturity, then such maturing Security shall be extended automatically for an additional term equal to the original term, and shall be deemed to be renewed by the Holder and the Company as of the Maturity Date of such maturing Security. A maturing Security will continue to renew as described herein absent a Redemption Notice or Repurchase Request by the Holder or an indication by the Company that it will repay and not allow the Security to be renewed in the Notice of

Maturity. Interest on the renewed Security shall accrue from the Issue Date thereof, which is the first day of such renewed term (i.e., the Maturity Date of the maturing Security). Such renewed Security will be deemed to have the identical terms and provisions of the maturing Security, including provisions relating to payment, except that the interest rate payable during the term of the renewed Security shall be the interest rate which is being offered by the Company on other Securities having the same term and to Persons holding the same aggregate principal amount of Securities (including holdings of immediate family members, as described in the Prospectus) as of the Issue Date of such renewal. If other Securities having the same term are not then being issued on the Issue Date of such renewal, the interest rate upon renewal will be the rate specified by the Company on or before the Maturity Date of such Security, or the then existing rate of the Security being renewed if no such rate is specified. If the maturing Security pays interest only on the Maturity Date, then, except as provided in subsection (d) above, all accrued interest thereon shall be added to the principal amount of the renewed Security upon renewal.

Notwithstanding the foregoing or anything in Section 2.1(d) to the contrary, if a Repayment Election is given or is due at a time when the Company has determined that a post-effective amendment to the Registration Statement was required but not yet effective, the Company will provide notice to the Holder (including a copy of the post-effective amendment to the Prospectus), and the Holder will be entitled to rescind his or her Repayment Election, if made, or to make a Repayment Election, if not previously made, by delivering a written rescission of the earlier Repayment Election, or a Repayment Election, as the case may be, to the Company no later than 10 days following the postmark date on the Company's notice of such post-effective amendment.

(f) REDEMPTION NOTICE FROM COMPANY. Pursuant to Section 3.1, each Security shall be redeemable by the Company at any time, without penalty, upon the delivery of a Redemption Notice to the Holder of such Security. Such Redemption Notice shall set forth a date for the redemption of such Security (the "REDEMPTION DATE") that is at least 30 days after the date that such Redemption Notice has been delivered by the Company to the Holder hereunder.

(g) REPURCHASE REQUEST BY HOLDER. Pursuant to and subject to the limitations set forth in Section 3.2, each Security shall be subject to repurchase at the request of the Holder upon the delivery of a Repurchase Request to the Company. Subject to the limitations on repurchase and the Repurchase Penalties described in Section 3.2, the payment of interest and principal due upon the repurchase of a Security shall be made to the Holder on a Repurchase Date that is within 10 days of the delivery of such Repurchase Request to the Company or, in the case of a repurchase of a Security in connection with the death or Total Permanent Disability of a Holder, a Repurchase Date that is within 10 days after the Company's receipt of satisfactory establishment or such Holder's death or Total Permanent Disability.

(h) TERMS OF SECURITIES. The terms and provisions contained in the Securities shall constitute, and are hereby expressly made, a part of this Indenture and to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, and the

Holders by accepting the Securities, expressly agree to such terms and provisions and to be bound hereby and thereby. In case of a conflict, the provisions of this Indenture shall control.

SECTION 2.2 WRITTEN CONFIRMATION; REJECTION; RESCISSION.

(a) Except with respect to an automatically renewed Security pursuant to Section 2.1(e), a Security shall not be validly issued to a Person until the following have occurred: (i) such Person has remitted good and available funds for the full principal amount of such Security to the Company or a duly authorized Agent of the Company; (ii) a Written Confirmation of the acceptance of the subscription is sent by the Company or a duly authorized Agent of the Company to such Person; and (iii) an Account is established by the Registrar in the name of such Person as the Holder of such Security pursuant to Section 2.13 hereof. The Company or a duly authorized Agent of the Company, in their sole discretion, may reject any subscription from a Person for the purchase of Securities, in which event any funds received from such Person pursuant to such subscription shall be promptly returned to such Person. No interest shall be paid on any funds returned on a rejected subscription.

(b) For a period of five Business Days following the mailing by the Company of (i) a Written Confirmation that evidences the valid issuance of a Security at the time of original purchase (but not upon transfer or automatic renewal of a Security), or (ii) notice from the Company that a Holder's purchase of a Security occurred at a time when a post-effective amendment to the Registration Statement was required but not yet effective (which notice shall be accompanied by a copy of the post-effective amendment to the Prospectus), such Holder shall have the right to rescind the Security and receive repayment of the principal by presenting a written request for such rescission to the Company. Such written request for rescission (A) if personally delivered or delivered via facsimile or electronic transmission, must be received by the Company on or prior to the 5th Business Day following the mailing of such Written Confirmation or post-effective amendment notice by the Company or (B) if mailed must be postmarked on or before the 5th Business Day following the mailing by the Company of such Written Confirmation or post-effective amendment notice. Repayment of the principal shall be made within 10 days of the Company's receipt of such request from the Holder. No interest shall be paid on any such rescinded Security.

SECTION 2.3 REGISTRAR AND PAYING AGENT.

(a) The Company shall maintain (i) an office or agency where Securities may be presented for registration of transfer or for exchange ("REGISTRAR") and (ii) an office or agency where Securities may be presented for payment ("PAYING AGENT"). The Registrar shall keep a register of the Securities and of their transfer and exchange, which shall include the name, address for notices and Payment Account of the Holder and the payment election information, principal amount, term and interest rate for each Security (the "SECURITIES REGISTER"). The Company may appoint one or more co-registrars and one or more additional paying agents. The term "REGISTRAR" includes any co-registrar, and the term "PAYING AGENT" includes any additional paying agent. The Company may change any Paying Agent or Registrar

without prior notice to any Holder; provided that the Company shall promptly notify the Holders and the Trustee of the name and address of any Agent not a party to this Indenture. The Company may act as Paying Agent and/or Registrar. In the event the Company uses any Agent other than the Company or the Trustee, the Company shall enter into an appropriate agency agreement with such Agent, which agreement shall incorporate the provisions of the TIA or provide that the duties performed thereunder are subject to and governed by the provisions of this Indenture. The agreement shall implement or be subject to the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any such Agent. If the Company fails to maintain a Registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such, and shall be entitled to appropriate compensation in accordance with Section 7.7 hereof. In no event shall the Trustee be liable for the acts or omissions of any predecessor Paying Agent or Registrar.

(b) Pursuant to Section 2.15, the Company hereby appoints the Servicing Agent as the initial Registrar and as agent for service of notices and demands in connection with the Securities. The Servicing Agent shall act as Registrar and agent for service of notices and demands in connection with the Securities until such time as the Company gives the Trustee written notice to the contrary. Also pursuant to Section 2.15, the Company hereby appoints Wells Fargo Bank, National Association as the initial Paying Agent.

SECTION 2.4 PAYING AGENT TO HOLD MONEY IN TRUST.

Prior to each due date of the principal or interest on any Security, the Company shall deposit with the Paying Agent sufficient funds to pay principal and interest then so becoming due and payable in cash. The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal or interest on the Securities, and will notify the Trustee promptly in writing of any default by the Company in making any such payment. While any such default continues, the Trustee shall require a Paying Agent (if other than the Company) to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company) shall have no further liability for the money delivered to the Trustee. If the Company acts as Paying Agent, then the Company shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. The Company shall notify the Trustee in writing at least five days before the Payment Date of the name and address of the Paying Agent if a person other than the Trustee is named Paying Agent at any time or from time to time.

SECTION 2.5 LIST OF HOLDERS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA ss. 312(a). If the Trustee is not the Registrar, the Registrar shall furnish to the Trustee within 10 days after the end of each fiscal quarter during the term of this Indenture and at such other times as the Trustee may request in writing, a copy of the current Securities Register as of such date as the Trustee may reasonably require and the Company shall otherwise comply with TIA ss. 312(a).

SECTION 2.6 TRANSFER AND EXCHANGE.

(a) The Securities are not negotiable instruments and cannot be transferred without the prior written consent of the Company (which consent shall not be unreasonably withheld). Requests to the Registrar for the transfer of any Security shall be:

(i) made to the Registrar in writing on a form supplied by the Registrar;

(ii) duly executed by the Holder of the Security, as reflected on the Registrar's records as of the date of receipt of such transfer request, or such Holder's attorney duly authorized in writing;

(iii) accompanied by the written consent of the Company to the transfer (which consent may not be unreasonably withheld); and

(iv) if requested by the Company or the Registrar, an opinion of Holder's counsel (which counsel shall be reasonably acceptable to the requesting party) that the transfer does not violate any applicable securities laws and/or a signature guarantee.

(b) Upon transfer of a Security, the Company, or the Registrar on behalf of the Company, will provide the new registered owner of the Security with a Written Confirmation that will evidence the transfer of the Security in the Securities Register and will establish a corresponding Account.

(c) The Company or the Registrar may assess reasonable service charges to a Holder for any registration or transfer or exchange, and the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange pursuant to Section 9.5 hereof).

(d) With respect to the relevant Regular Record Date, the Company shall treat the individual or entity listed on each Account maintained by the Registrar as the absolute owner of the Security represented thereby for purposes of receiving payments thereon and for all other purposes whatsoever.

SECTION 2.7 PAYMENT OF PRINCIPAL AND INTEREST; PRINCIPAL AND INTEREST RIGHTS PRESERVED.

(a) Each Security shall accrue interest at the rate specified for such Security in the Securities Register and such interest shall be payable on each Payment Date following the Issue Date for such Security, until the principal thereof becomes due and payable. Any installment of interest payable on a Security that is caused to be punctually paid or duly provided for by the Company on the applicable Payment Date shall be paid to the Holder in whose name such Security is

registered in the Securities Register on the applicable Regular Record Date with respect to the Securities outstanding, by electronic deposit to such Holder's Payment Account as it appears in the Securities Register on such Regular Record Date. The payment of any interest payable in connection with the payment of any principal payable with respect to such Security on a Maturity Date shall be payable as provided below. In the event any payments made by electronic deposit are not accepted into the Holder's Payment Account for any reason, such funds shall be held in accordance with Sections 2.4 and 8.3 hereof. Any installment of interest not punctually paid or duly provided for shall be payable in the manner and to the Holders as specified in Section 2.10 hereof.

(b) Each of the Securities shall have stated maturities of principal as shall be indicated on such Securities or in the Written Confirmation and as set forth in the Securities Register. The principal of each Security shall be paid in full as of the Maturity Date thereof pursuant to Section 2.1(d), unless the term of such Security is renewed pursuant to Section 2.1(e) hereof or such Security becomes due and payable at an earlier date by acceleration, redemption, repurchase or otherwise. Interest on each Security shall be due and payable on each Payment Date at the interest rate applicable to such Security for the Interest Accrual Period related to such Security and such Payment Date. Notwithstanding any of the foregoing provisions with respect to payments of principal of and interest on the Securities, if the Securities have become or been declared due and payable following an Event of Default, then payments of principal of and interest on the Securities shall be made in accordance with Article VI hereof. If definitive, certificated securities are issued, then the principal payment made on any Security on any Maturity Date (or the Redemption Price or the Repurchase Price of any Security required to be redeemed or repurchased, respectively), and any accrued interest thereon, shall be payable on or after the Maturity Date, Redemption Date or the Repurchase Date therefore at the office or agency of the Company maintained by it for such purpose pursuant to Section 2.3 hereof or at the office of any Paying Agent for such Security.

(c) All computations of interest due with respect to any Security shall be made, unless otherwise specified in the Security, based upon a 365-day year.

SECTION 2.8 OUTSTANDING SECURITIES.

(a) The Securities outstanding at any time are the outstanding principal balances of all Accounts representing the Securities maintained by the Company or such other entity as the Company designated as Registrar.

(b) If the principal amount of any Security is considered paid under Section 4.1 hereof, it ceases to be outstanding and interest on it ceases to accrue.

(c) Subject to Section 2.9 hereof, a Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

SECTION 2.9 TREASURY SECURITIES.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or any Affiliate of the Company shall be considered as though not outstanding, except that for purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities that a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded.

SECTION 2.10 DEFAULTED INTEREST.

If the Company defaults in a payment of interest on any Security, it shall pay the defaulted interest plus, to the extent lawful, any interest payable on the defaulted interest, to the Holder of such Security on a subsequent special Payment Date, which date shall be at the earliest practicable date, but in all events within 15 days following the scheduled Payment Date of the defaulted interest, in each case at the rate provided in the Security. The Regular Record Date for the scheduled Payment Date shall be the record date for the special Payment Date. Prior to any such special Payment Date, the Company (or the Trustee, in the name of and at the expense of the Company) shall mail to Holder(s) a notice that states the special Payment Date and the amount of such interest to be paid.

SECTION 2.11 TEMPORARY NOTES.

If Securities are issued in certificated form in the limited circumstances contemplated under Section 2.13(b), pending the preparation of definitive Securities, the Company may execute, and direct that the Trustee authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities, in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Registrar without charge to the Holder.

Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.12 EXECUTION, AUTHENTICATION AND DELIVERY.

(a) Subject to subsection (b) below, the Securities shall be executed on behalf of the Company by an Officer and attested by its Secretary or Assistant Secretary. The signature of any of these officers on the Securities may be manual or facsimile. Securities

bearing the manual or facsimile signatures of individuals who were at any time the proper Officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At the time of and from time to time after the execution and delivery of this Indenture, the Company will deliver definitive or certificated forms of Securities, if any, executed by the Company to the Trustee for authentication, together with a direction from the Company for the authentication and delivery of such Securities. The Trustee in accordance with such direction from the Company shall authenticate and deliver such Securities as in this Indenture provided and not otherwise. Securities issued hereunder shall be dated as of their Issue Date.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security an authentication executed by or on behalf of the Trustee by manual signature, and such authentication upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of the Indenture.

(b) Notwithstanding the preceding subsection (a) of this Section, in connection with the issuance of each Security in book-entry form pursuant to Section 2.13, each Security shall be deemed to be executed and attested to by the Company and authenticated and delivered by the Trustee, in the same manner as provided in the preceding subsection (a), upon the delivery by the Company (or the Company's duly authorized Agent) to the Holder of such Security of a Written Confirmation, with a copy of such Written Confirmation delivered to the Trustee, and the establishment by the Registrar of an Account for such Security in the name of the Holder pursuant to Section 2.13 hereof.

SECTION 2.13 BOOK-ENTRY REGISTRATION.

(a) The Registrar shall maintain a book-entry registration and transfer system through the establishment and maintenance of Accounts for the benefit of Holders of Securities as the sole method of recording the ownership and transfer of ownership interests in such Securities. The registered owners of the Accounts established by the Registrar in connection with the purchase or transfer of the Securities shall be deemed to be the Holders of the Securities outstanding for all purposes under this Indenture. The Company (or its duly authorized Agent) shall promptly notify the Registrar of the acceptance of a subscriber's order to purchase a Security by providing a copy of the accepted Subscription Agreement and the related Written Confirmation, and upon receipt of such notices, the Registrar shall establish an Account for such Security by recording a credit to its book-entry registration and transfer system to the Account of the related Holder of such Security for the principal amount of such Security owned by such Holder and issue a Written Confirmation to the Holder, with a copy being delivered to the Trustee, on behalf of the Company. The Registrar shall make appropriate credit and debit entries within each Account to record all of the applicable actions under this Indenture that relate

to the ownership of the related Security and issue Written Confirmations to the related Holders as set forth herein, with copies being delivered to the Trustee, on behalf of the Company. For example, the total amount of any principal and/or interest due and payable to the Holders of the Accounts maintained by the Registrar as provided in this Indenture shall be credited to such Accounts by the Registrar within the time frames provided in this Indenture, and the amount of any payments of principal and/or interest distributed to the Holders of the Accounts as provided in this Indenture shall be debited to such Accounts by the Registrar. The Trustee may review the book-entry registration and transfer system as it deems necessary to ensure the Registrar's compliance with the terms of the Indenture.

(b) Book-entry Accounts evidencing ownership of the Securities shall be exchangeable for definitive or certificated forms of Securities in denominations of $1,000 and any amount in excess thereof and fully registered in the names as each Holder directs only if (i) the Company at its option advises the Trustee and the Registrar in writing of its election to terminate the book-entry system, or (ii) after the occurrence of any Event of Default, Holders of a majority of the aggregate outstanding principal amount of the Securities (as determined based upon the latest quarterly statement provided to the Trustee pursuant to Section 2.5 hereof) advise the Trustee in writing that the continuation of the book-entry system is no longer in the best interests of such Holders and the Trustee notifies all Holders of the Securities, of such event and the availability of certificated forms of securities to the Holders of Securities.

SECTION 2.14 INITIAL AND PERIODIC STATEMENTS.

(a) Subject to the rejection of a Subscription Agreement pursuant to Section 2.2(a), the Registrar shall send Written Confirmations to initial purchasers, registered owners, registered pledgees, former registered owners and former pledgees, within two Business Days of its receipt of proper notice regarding the purchase, transfer or pledge of a Security, with copies of such Written Confirmations being delivered to the Trustee, on behalf of the Company.

(b) The Registrar shall send each Holder of a Security (and each registered pledgee) via U.S. mail not later than 10 Business Days after each quarter end in which such Holder had an outstanding balance in such Holder's Account, a statement which indicates as of the quarter end preceding the mailing: (i) the balance of such Account; (ii) interest credited for the period; (iii) repayments, redemptions or repurchases, if any, during the period; and (iv) the interest rates paid on the Securities in such Account during the period. The Registrar shall provide additional statements as the Holders or registered pledgees of the Securities may reasonably request from time to time. The Registrar may charge such Holders or pledgees requesting such statements a fee to cover the charges incurred by the Registrar in providing such additional statements.

SECTION 2.15 APPOINTMENT OF AGENTS.

The Company may from time to time engage Agents to perform its obligations and exercise its rights and discretion under the terms of this Indenture. In each such case, the Company will provide the Trustee with a copy

of each agreement under which any such Agent is engaged and the name, address, telephone number and capacity of the Agent appointed. If any such Agent shall resign, or such Agent's engagement is terminated by the Company, subsequent to the Agent's appointment by the Company under this Section 2.15, the Company shall promptly notify the Trustee of such resignation or termination, along with the name, address, telephone number and capacity of any successor Agent. Notwithstanding any engagement of an Agent hereunder, the Company shall remain obligated to fulfill each of its obligations under this Indenture.

ARTICLE III

REDEMPTION AND REPURCHASE

SECTION 3.1 REDEMPTION OF SECURITIES AT THE COMPANY'S ELECTION.

(a) The Company may redeem, in whole or in part, any Security prior to the scheduled Maturity Date of the Security by providing pursuant to Section 2.1(f) a Redemption Notice to the Holder thereof listed on the records maintained by the Registrar, which notice shall include the Redemption Date and the Redemption Price to be paid to the Holder on the Redemption Date. No interest shall accrue on a Security to be redeemed under this Section 3.1 for any period of time after the Redemption Date for such Security, provided that the Company or the Paying Agent has timely tendered the Redemption Price to the Holder.

(b) The Company shall have no mandatory redemption or sinking fund obligations with respect to any of the Securities.

(c) In its sole discretion, the Company may offer certain Holders the ability to extend the maturity of an existing Security through the redemption of such Security and the issuance of a new Security. This redemption option shall not be subject to the 30 day notice of redemption described in Section 2.1(f).

SECTION 3.2 REPURCHASE OF SECURITIES AT THE HOLDER'S REQUEST.

(a) REPURCHASE UPON DEATH OR DISABILITY. Subject to subsection (c) below, within 45 days of the death or Total Permanent Disability of a Holder who is a natural person (including Securities held in an individual retirement account), the estate of such Holder (in the event of death) or such Holder (in the event of Total Permanent Disability) may request that the Company repurchase, in whole and not in part, without penalty, the Security held by such Holder, by delivering to the Company a Repurchase Request. If a Security is held jointly by natural persons who are legally married, then a Repurchase Request may be made when either registered Holder of such Security dies or becomes subject to a Total Permanent Disability, the surviving Holder or the disabled Holder may request that the Company repurchase in whole and not in part, without penalty, such Security as jointly held by the Holders by delivering to the Company a Repurchase Request. In the event a Security is held jointly by two or more natural persons that are not legally married, neither of these persons shall have the right to request that

the Company repurchase such Security unless all joint holders of such Security have either died or suffered a Total Permanent Disability. If the Security is held by a Holder who is not a natural person, such as a trust, partnership, corporation or other similar entity, the right to request repurchase upon death or disability does not apply.

(b) REPURCHASE UPON HOLDER'S ELECTION. Subject to subsection (c) below, a Holder may request the Company to repurchase, in whole and not in part, the Security held by such Holder by delivering a Repurchase Request to the Company. Any such requested repurchase shall be made only at the Company's discretion and, if made, will be subject to an early Repurchase Penalty to be deducted from the payment of such Holder's Repurchase Price on the Repurchase Date. The early repurchase penalty (the "REPURCHASE Penalty") shall equal the following: (i) with respect to a Security with a three month maturity, the interest accrued on a simple interest basis on such Security from the Issue Date to the Repurchase Date at the existing interest rate thereof, but not to exceed three months of simple interest on such Security, or (ii) with respect to a Security with a maturity of six months or longer, the interest accrued on a simple interest basis on such Security from the Issue Date to the Repurchase Date at the existing interest rate thereof, but not to exceed six months of simple interest on such Security.

(c) LIMITATION ON REPURCHASES. The Company will only be required to repurchase Securities for which Repurchase Requests have been received pursuant to paragraph (a) above, and, if accepted by the Company, paragraph (b) above, to the extent that the aggregate Repurchase Price for all Securities for which Repurchase Requests are then outstanding in any calendar quarter would not exceed the greater of (i) two percent of the aggregate outstanding principal balance of all Securities as of the last day of the previous calendar quarter or (ii) $1 million. For the purposes of applying such limits on the aggregate Repurchase Price for outstanding Repurchase Requests, such outstanding Repurchase Requests will be honored in the order of the date received or, in the case of Repurchase Requests made in connection with a Holder's death or Total Permanent Disability, the later of the date received or the date such death or Total Permanent Disability is established to the reasonable satisfaction of the Company, and to the extent any Repurchase Request is not paid in the quarter received or so established due to such limitations, it will be honored in the subsequent quarter, to the extent possible, subject to the applicability of such limits on aggregate Repurchase Requests in each subsequent quarter. For the avoidance of doubt, in the event that the Company would otherwise be required to repurchase a Security hereunder in a given quarter by reason of the priority of the Repurchase Request (as established in this Section) but for the fact that the Repurchase Price exceeds the amount remaining under the forgoing limitations (after giving effect to all other Repurchase Requests having priority during such quarter), the Company may, at its option, effect a partial repurchase of such Security, up to the portion of the Repurchase Price covered by the amount remaining, and carry the Repurchase Request for the balance of such Security forward as provided above.

(d) REPURCHASE DATE. To the extent a Security for which a Repurchase Request has been received during the then current calendar quarter is determined not to be subject to the limitation in subsection (c) above and thus, will be repurchased during the current quarter, then the Company shall designate a date for the repurchase of such

Security (the "REPURCHASE DATE"), which date shall not be more than 10 days after the Company's receipt of the Repurchase Request or, in the case of a Repurchase Request following the death or Total Permanent Disability of the Holder, 10 days after the Company's receipt of satisfactory establishment of such Holder's death or Total Permanent Disability. On the Repurchase Date, the Company shall pay the Repurchase Price to the Holder (or the estate of the Holder, in the case of a request following death) in accordance with Section 2.7. With respect to a Security for which a Repurchase Request has been received during a prior calendar quarter and for which the Repurchase Price was not paid during such prior calendar quarter, but rather the Repurchase Request has been carried over to and is still outstanding in the current calendar quarter (because of the limitation in subsection (c) above), the Company shall designate a Repurchase Date not later than the tenth (10th) day after the start of such calendar quarter, unless subsection (c) is again applicable, in which case such obligation shall be met not later than the tenth (10th) day after the start of the next calendar quarter during which such limitation is no longer applicable. No interest shall accrue on a Security to be repurchased under this Section 3.2 for any period of time on or after the Repurchase Date for such Security, provided that the Company or the Paying Agent has timely tendered the Repurchase Price to the Holder or the estate of the Holder, as the case may be.

(e) WAIVER AND MODIFICATION OF REPURCHASE POLICIES. The Company may waive or reduce any early Repurchase Penalty in its sole discretion and may modify at any time its policy on the repurchase of Securities at the request of Holders; provided that no such modification shall adversely affect the rights of Holders to the repurchase of Securities for which Repurchase Requests are then outstanding.

ARTICLE IV

COVENANTS

SECTION 4.1 PAYMENT OF SECURITIES.

(a) The Company shall duly pay the principal of and interest on each Security on the dates and in the manner provided under this Indenture. Principal and interest (to the extent such interest is paid in cash) shall be considered paid on the date due if the Paying Agent, if other than the Company, holds, at least one Business Day before that date, money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal and interest then due; provided, however, that principal and interest shall not be considered paid within the meaning of this Section 4.1 if money is held by the Paying Agent for the benefit of holders of Senior Debt pursuant to the provisions of Article X hereof. Such Paying Agent shall return to the Company, no later than five days following the date of payment, any money (including accrued interest, if any) that exceeds such amount of principal and interest paid on the Securities in accordance with this Section 4.1.

(b) To the extent lawful, the Company shall pay interest (including Post-Petition Interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate borne by the Securities, compounded semi-annually; it shall pay interest (including

Post-Petition Interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the same rate, compounded semi-annually.

SECTION 4.2 MAINTENANCE OF OFFICE OR AGENCY.

(a) The Company will maintain an office or agency (which may be an office of the Trustee, Registrar or co-registrar) where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

(b) The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Company hereby designates its office at 16355 Laguna Canyon Road, Irvine, California 92618, as one such office or agency of the Company in accordance with Section 2.3.

SECTION 4.3 SEC REPORTS AND OTHER REPORTS.

(a) The Company shall provide to the Trustee, within 45 days after filing with the SEC, paper copies or, if such documents are readily available on the SEC's website, notification of the availability of, the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall otherwise comply with the periodic reporting requirements as set forth in TIA ss. 314(a), and the Company shall file with the Trustee and the SEC, in accordance with the rules and regulations prescribed by the SEC, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations. Notwithstanding anything to the contrary herein, the Trustee shall have no duty to review such documents for purposes of determining compliance with any provisions of the Indenture.

(b) The Company, or such other entity as the Company shall designate as Registrar, shall provide the Trustee at intervals of not more than six months with management reports which provide the Trustee with such information regarding the Accounts maintained by the Company for the benefit of the Holders of the Securities as the Trustee may

reasonably request which information shall include at least the following for the relevant time interval from the date of the immediately preceding report: (i) the outstanding balance of each Account at the end of the period; (ii) interest credited for the period; (iii) repayments, repurchases and redemptions, if any, made during the period; and (iv) the interest rate paid on each Security in such Account maintained by the Registrar during the period.

(c) Notwithstanding any provision of this Indenture to the contrary, the Company shall not have any obligation to maintain any of its securities (other than the Securities hereunder), including without limitation its common stock, as securities registered under the Exchange Act or the Securities Act, as amended, or as securities listed and publicly traded on any national securities exchange.

SECTION 4.4 COMPLIANCE CERTIFICATE.

(a) The Company shall deliver to the Trustee, within 120 days after the end of each Fiscal Year, beginning in 2006, an Officers' Certificate stating that a review of the activities of the Company during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of their knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of their knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Securities are prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the annual financial statements delivered pursuant to Section 4.3 above shall be accompanied by a written statement of the Company's independent public accountants that in making the examination necessary for certification of such financial statements nothing has come to their attention which would lead them to believe that the Company has violated the provisions of Section 4.1 of this Indenture or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) The Company will, so long as any of the Securities are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

SECTION 4.5 STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all beneficial advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.6 LIQUIDATION.

The Board of Directors or the stockholders of the Company shall not adopt a plan of liquidation that provides for, contemplates or the effectuation of which is preceded by (a) the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company, otherwise than (i) substantially as an entirety (Section 5.1 of this Indenture being the Section hereof which governs any such sale, lease, conveyance or other disposition substantially as an entirety), or (ii) and Qualified Sales and Financing Transaction, and (b) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition and of the remaining assets of the Company to the holders of capital stock of the Company, unless the Company, prior to making any liquidating distribution pursuant to such plan, makes provision for the satisfaction of the Company's Obligations hereunder and under the Securities as to the payment of principal and interest.

SECTION 4.7 FINANCIAL COVENANTS.

The Company covenants that, so long as any of the Securities are outstanding, the Company will maintain a positive net worth, which includes all equity held by the Company's common and preferred stockholders and any subordinated debt of the Company that is subordinate to these Securities.

SECTION 4.8 RESTRICTIONS ON DIVIDENDS AND CERTAIN TRANSACTIONS WITH AFFILIATES.

(a) The Company covenants that, so long as any of the Securities are outstanding, it shall not declare or pay any dividends or other payments of cash or other property to its common or preferred stockholders (other than any dividend payable in shares of or rights to acquire shares of the Company's capital stock on a pro rata basis to all stockholders), unless no Default or Event of Default with respect to the Securities then exists or would exist immediately following the declaration or payment of such dividend or other payment.

(b) The Company covenants that, so long as any of the Securities are outstanding, it shall not guarantee, endorse or otherwise become liable for any obligations of any of the Company's Affiliates; provided, that the Company and its subsidiaries may make investments in and guarantee the obligations of Special Purpose Entities.

SECTION 4.9 SECURITIZATION TRANSACTIONS AND ADDITIONAL INDEBTEDNESS.

Notwithstanding any provision to the contrary within this Indenture, the Company shall not be prohibited, restricted or otherwise limited under this Indenture from entering into, sponsoring or conducting any Qualified Sales and Financing Transaction.

Except as otherwise provided in Section 4.8(b), the Company shall not be prohibited, restricted or otherwise limited from incurring or refinancing any Indebtedness subsequent to the date hereof, which Indebtedness will have such terms and provisions as the Company and the lender thereof may agree upon without any restriction or limitation hereunder and such Indebtedness will likely be senior in right of payment to the Securities.

ARTICLE V

SUCCESSORS

SECTION 5.1 WHEN THE COMPANY MAY MERGE, ETC.

(a) The Company may not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to another corporation, Person or entity unless (i) the Company is the surviving corporation or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation, limited liability company or limited partnership organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the entity or Person formed by or surviving any such consolidation or merger (if other than the Company) or the entity or Person to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made assumes all the obligations of the Company pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee, under the Securities and this Indenture; and (iii) immediately after such transaction no Default or Event of Default exists.

(b) The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture. The Trustee shall be entitled to conclusively rely upon such Officers' Certificate and Opinion of Counsel.

SECTION 5.2 SUCCESSOR ENTITY SUBSTITUTED.

Upon any consolidation or merger, or any sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.1, the successor entity or Person formed by such consolidation or into or with which the Company, is merged or to which such sale, lease, conveyance or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor entity or Person has been named as the Company herein, and upon such succession and substitution, the Company shall be released from all of its obligations and liabilities under this Indenture and the Securities.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.1 EVENTS OF DEFAULT.

An "EVENT OF DEFAULT" occurs if:

(a) the Company fails to pay interest on a Security when the same becomes due and payable and such failure continues for a period of 15 days, whether or not such payment is prohibited by the provisions of Article X hereof;

(b) the Company fails to pay the principal amount of any Security when the same becomes due and payable at maturity, on a Repurchase Date, Redemption Date or Payment Date (that relates to a Maturity Date) or otherwise, and such failure continues for a period of 10 days, whether or not prohibited by the provisions of Article X hereof;

(c) the Company fails to observe or perform any material covenant, condition or agreement on the part of the Company under this Indenture or the breach by the Company of any material representation or warranty of the Company under this Indenture, and such failure or breach continues unremedied for a period of 30 days after the Company's receipt of written notice of such failure or breach;

(d) the Company defaults in any other material financial obligation of the Company, and such default continues unremedied for a period of 30 days after the Company's receipt of written notice of such default;

(e) the Company pursuant to or within the meaning of any Bankruptcy Law (i) commences a voluntary case; (ii) consents to the entry of an order for relief against it in an involuntary case; (iii) consents to the appointment of a custodian of it or for all or substantially all of its property; (iv) makes a general assignment for the benefit of its creditors; or (v) admits in writing its inability to pay debts as the same become due; or

(f) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against the Company in an involuntary case; (ii) appoints a custodian of the Company or for all or substantially all of its property; (iii) orders the liquidation of the Company, and in each case the order or decree remains unstayed and in effect for 120 consecutive days.

The term "BANKRUPTCY LAW" means Title 11 of the U.S. Code or any similar federal or state law for the relief of debtors. The term "custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

A Default under clauses (c) or (d) of this Section 6.1 (except for a Default with respect to Section 4.6 or 5.1) is not an Event of Default until the Trustee or the Holders of at least a majority in principal amount of the then

outstanding Securities notify the Company of the Default and the Company does not cure the Default or such Default is not waived within 30 days after receipt of the notice pursuant to Section 6.4. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default."

SECTION 6.2 ACCELERATION.

If an Event of Default (other than an Event of Default specified in clauses (e) or (f) of Section 6.1) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least a majority in principal amount of the then outstanding Securities by written notice to the Company and the Trustee may declare the unpaid principal of and any accrued interest on all the Securities to be due and payable. Upon such declaration, all unpaid principal of and accrued interest on all Securities shall be due and payable immediately; provided, however, that if any Indebtedness or Obligation is outstanding pursuant to the Senior Debt, such a declaration of acceleration by the Holders shall not become effective until the earlier of (i) the day which is five Business Days after the receipt by each of the Company and the holders of Senior Debt of such written notice of acceleration or (ii) the date of acceleration of any Indebtedness under any Senior Debt. If an Event of Default specified in clause (e) or (f) of Section 6.1 occurs, all unpaid principal of and accrued interest on all Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

SECTION 6.3 OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may, after a declaration of acceleration under Section 6.2 above, pursue any available remedy to collect the payment of principal or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.4 WAIVER OF PAST DEFAULTS.

Holders of a majority in principal amount of the then outstanding Securities by notice to the Trustee may, on behalf of the Holders of all Securities, waive any existing Default or Event of Default and its consequences under this Indenture, including without limitation a rescission of an acceleration pursuant to Section 6.2, except for a continuing Default or Event of Default in the payment of interest on or the principal of any Security held by a non-consenting Holder, or except for a waiver that would conflict with any judgment or decree. Upon actual receipt of any such notice of waiver by a Responsible Officer of the Trustee, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

SECTION 6.5 CONTROL BY MAJORITY.

The Holders of a majority in principal amount of the then outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it, provided, that indemnification for the Trustee's fees and expenses, in a form reasonably satisfactory to the Trustee, shall have been provided. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or that may involve the Trustee in personal liability.

SECTION 6.6 LIMITATION ON SUITS.

A Holder may pursue a remedy with respect to this Indenture only if:

(a) the Holder gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least a majority in principal amount of the then outstanding Securities make a written request to the Trustee to pursue the remedy;

(c) such Holder or Holders offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60 day period the Holders of a majority in principal amount of the then outstanding Securities do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.7 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, but subject to Article X hereof, the right of any Holder of a Security to receive payment of principal and interest on the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

SECTION 6.8 COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.1(a) or (b) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest remaining unpaid on the Securities and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.9 TRUSTEE MAY FILE PROOFS OF CLAIM.

(a) The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Securities), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders of the Securities may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

(b) If the Trustee does not file a proper claim or proof of debt in the form required in any such proceeding prior to 30 days before the expiration of the time to file such claims or proofs, then any holder of Senior Debt shall have the right to demand, sue for, collect and receive the payments and distributions in respect of the Securities which are required to be paid or delivered to the holders of Senior Debt as provided in Article X hereof and to file and prove all claims therefor and to take all such other action in the name of the Holders or otherwise, as such holder of Senior Debt may determine to be necessary or appropriate for the enforcement of the provisions of Article X hereof.

SECTION 6.10 PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall, subject to the provisions of Article X hereof, pay out the money in the following order:

(a) FIRST: to the Trustee, its agents and attorneys for amounts due under Section 7.7, including payment of all compensation, expenses and liabilities incurred, and all advances made, if any, by the Trustee and the costs and expenses of collection;

(b) SECOND: to holders of Senior Debt to the extent required by Article X hereof;

(c) THIRD: to Holders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively; and

(d) FOURTH: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders.

SECTION 6.11 UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.7, or a suit by Holders of more than ten percent (10%) in principal amount of the then outstanding Securities.

ARTICLE VII

TRUSTEE

SECTION 7.1 DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) The duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon resolutions, statements, reports, documents, orders, certificates, opinions or other instruments furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any of the above that are specifically required to be furnished to the Trustee pursuant to this Indenture, the Trustee shall examine them to determine whether they substantially conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) This paragraph does not limit the effect of paragraph (b)(i) and (b)(ii) of this Section.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proven that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable to the Holders with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it, except as the Trustee may agree in writing with the Company or, except with respect to any money held by the Trustee over a holiday or weekend, in which event the Trustee shall remit to the Company the interest earnings on such money at a rate equal to the then current rate for money market funds invested by the Trustee; provided that the Company has directed the Trustee to invest such money. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.2 RIGHTS OF TRUSTEE.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented to it by the proper Person. The Trustee need not investigate any fact or matter stated in the document. The Trustee shall have no duty to inquire as to the performance of the Company's covenants in Article IV hereof. In addition, the Trustee shall not be deemed to have knowledge of any Default or any Event of Default except any Default or Event of Default of which the Trustee shall have received written notification or obtained actual knowledge.

Delivery of reports, information and documents to the Trustee under Sections 4.3(a), 4.3(b) and 4.4(b) is for informational purposes only and the Trustee's receipt of the foregoing shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of their covenants hereunder (as to which the Trustee is entitled to rely conclusively on Officers' Certificates).

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through agents, attorneys, custodians or nominees and shall not be responsible for the misconduct or negligence or the supervision of any agents, attorneys, custodians or nominees appointed by it with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee shall not be deemed to have notice of an Event of Default for any purpose under this Indenture unless notified of such Event of Default by the Company, the Paying Agent (if other than the Company) or a Holder of the Securities.

SECTION 7.3 INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 7.10 and 7.11.

SECTION 7.4 TRUSTEE'S DISCLAIMER.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities or any money paid to the Company or upon the Company's direction under any provision hereof, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee and it shall not be responsible for any statement or recital herein or any statement in the Securities or any other document in connection with the sale of the Securities or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.5 NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is known to a Responsible Officer of the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. At least five Business Days prior to the mailing of any notice to Holders under this Section 7.5, the Trustee shall provide the Company with notice of its

intent to mail such notice. Except in the case of a Default or Event of Default in payment on any Security, the Trustee may withhold the notice if and so long as the Responsible Officer of the Trustee in good faith determines that withholding the notice is in the interests of the Holders.

SECTION 7.6 REPORTS BY TRUSTEE TO HOLDERS.

(a) Within 60 days of the end of EACH Fiscal Year, commencing with the fiscal year ending December 31, 2006, the Trustee shall mail to Holders (with a copy to the Company) a brief report dated as of such reporting date that complies with TIA ss. 313(a) (but if no event described in TIA ss. 313(a) has occurred within the 12 months preceding the reporting date, no report need be prepared or transmitted). The Trustee also shall comply with TIA ss. 313(b). The Trustee shall also transmit by mail all reports as required by TIA ss. 313(c).

(b) Commencing at the time this Indenture is qualified under the TIA, a copy of each report mailed to Holders under this Section 7.6 (at the time of its mailing to Holders) shall be filed with the SEC and each stock exchange, if any, on which the Securities are listed. The Company shall promptly notify the Trustee if and when the Securities are listed on any stock exchange.

SECTION 7.7 COMPENSATION AND INDEMNITY.

(a) The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and its performance of the duties and services required hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, except as set forth in Section 7.7(d). The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder, except to the extent the Company is prejudiced thereby. The Company shall defend the claim and the Trustee shall reasonably cooperate in such defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of one such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

(c) The obligations of the Company to pay compensation under Section 7.7(a) through the date of termination, and for indemnification under Section 7.7(b) shall survive the satisfaction and discharge of this Indenture.

(d) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through its own negligence, bad faith or willful misconduct.

(e) To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Holders on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on the Securities or to pay Senior Debt. Such lien shall survive the satisfaction and discharge of this Indenture.

(f) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(e) or (f) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.8 REPLACEMENT OF TRUSTEE.

(a) A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.8.

(b) The Trustee may resign at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority of the aggregate principal amount of the outstanding Securities may remove the Trustee (including any successor Trustee) at any time by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(i) the Trustee fails to comply with Section 7.10;

(ii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(iii) a Custodian or public officer takes charge of the Trustee or its property;

(iv) the Trustee becomes incapable of acting as Trustee under this Indenture, or

(v) the Company so elects, provided such replacement Trustee is qualified.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee.

(d) If a successor Trustee does not take office within 30 days after notice that the Trustee has resigned or has been removed, the Company or the Trustee or the Holders of at least a majority in principal amount of the then outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee after written request by any Holder who has been a Holder for at least six months fails to comply with Section 7.10, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to all Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the lien provided for in Section 7.7. Notwithstanding replacement of the Trustee pursuant to this Section 7.8, the Company's obligations to pay compensation under Section 7.7(a) through the date of termination, and for indemnification under Section 7.7(b) hereof shall continue for the benefit of the retiring Trustee.

SECTION 7.9 SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10 ELIGIBILITY; DISQUALIFICATION.

(a) There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any state or territory thereof or of the District of Columbia authorized under such laws to exercise corporate trustee power, shall be subject to supervision or examination by Federal, state, territorial or District of Columbia authority and shall have a combined capital and surplus of at least $5,000,000 as set forth in its most recent published annual report of condition.

(b) This Indenture shall always have a Trustee who satisfies the requirements of TIA ss. 310(a)(1) and (2). The Trustee shall be subject to TIA ss. 310(b).

SECTION 7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee shall be subject to TIA ss. 311(a), excluding any creditor relationship listed in TIA ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated therein.

ARTICLE VIII

DISCHARGE OF INDENTURE

SECTION 8.1 TERMINATION OF COMPANY'S OBLIGATIONS.

(a) This Indenture shall cease to be of further effect (except that the Company's obligations to pay compensation under Section 7.7(a) through the date of termination, and for indemnification under Section 7.7(b) and its obligations under Section 8.4, and the Company's, Trustee's and Paying Agent's obligations under Section 8.3 shall survive) when, without violating Article X hereof, all outstanding Securities have been paid in full and the Company has paid all sums payable by the Company hereunder. In addition, the Company may terminate all of its obligations under this Indenture if, without violating Article X hereof:

(i) the Company irrevocably deposits in trust with the Trustee or, at the option of the Trustee, with a trustee reasonably satisfactory to the Trustee and the Company under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, money or U.S. Government Obligations sufficient (as certified by an independent public accountant designated by the Company) to pay principal and interest on the Securities to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, provided that (A) the trustee of the irrevocable trust shall have been irrevocably instructed to pay such money or the proceeds of such U.S. Government Obligations to the Trustee and (B) the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to the payment of said principal and interest with respect to the Securities;

(ii) the Company delivers to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge of this Indenture have been complied with; and

(iii) no Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit.

Then, this Indenture shall cease to be of further effect (except as provided in this paragraph), and the Trustee, on demand of the Company, shall execute proper instruments acknowledging confirmation of and discharge under this Indenture. The Company may make the deposit only if Article X hereof does not prohibit such payment. However, the Company's obligations in Sections 2.3, 2.4, 2.5, 2.6, 2.7, 4.2, 7.7(c), 7.8, 8.3 and 8.4 and the Trustee's and Paying Agent's obligations in Section 8.3 shall survive until the Securities are no longer outstanding. Thereafter, only the Company's obligations to pay compensation under Section 7.7(a) through the date of termination, and for indemnification under Section 7.7(b), its obligations under Section 8.4 and the Company's, Trustee's and Paying Agent's obligations in Section 8.3 shall survive.

(b) After such irrevocable deposit made pursuant to this Section 8.1 and satisfaction of the other conditions set forth herein, the Trustee upon written request shall acknowledge in writing the discharge of the Company's obligations under this Indenture except for those surviving obligations specified above.

(c) In order to have money available on a payment date to pay principal or interest on the Securities, the U.S. Government Obligations shall be payable as to principal or interest at least one Business Day before such payment date in such amounts as will provide the necessary money. U.S. Government Obligations shall not be callable at the issuer's option.

SECTION 8.2 APPLICATION OF TRUST MONEY.

The Trustee or a trustee satisfactory to the Trustee and the Company shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8. 1. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal and interest on the Securities.

SECTION 8.3 REPAYMENT TO COMPANY.

(a) The Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or securities held by them at any time.

(b) The Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal or interest on the Securities that remains unclaimed for two years after the date upon which such payment shall have become due; provided, however, that the Company shall have either caused notice of such payment to be mailed to each Holder entitled thereto no less than 30 days prior to such repayment or within such period shall have published such notice in a newspaper of widespread circulation published in Orange County, California. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

SECTION 8.4 REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 8.2 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.1 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 8.2; provided, however, that if the Company has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment, as long as no money is owed to the Trustee by the Company, from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE IX

AMENDMENTS

SECTION 9.1 WITHOUT CONSENT OF THE HOLDERS.

The Company and the Trustee may amend this Indenture or the Securities without the consent of any Holder:

(a) to cure any ambiguity, defect or inconsistency;

(b) to comply with Section 5.1;

(c) to provide for the issuance of additional uncertificated Securities or certificated Securities;

(d) to make any change that does not adversely affect the legal rights hereunder of any Holder, including but not limited to, an increase in the aggregate dollar amount of Securities which may be outstanding under this Indenture;

(e) make any change in Section 3.2; provided, however, that no such change shall adversely affect the rights of any outstanding or issued Security; or

(f) to comply with any requirements of the SEC in connection with the qualification of this Indenture under the TIA.

SECTION 9.2 WITH CONSENT OF THE HOLDERS.

(a) The Company and the Trustee may amend this Indenture or the Securities with the written consent of the Holders of at least a majority in principal amount of the then outstanding Securities. The Holders of a majority in principal of the then outstanding Securities may also waive on behalf of all Holders any existing Default or Event of Default or compliance with any provision of this Indenture or the Securities. However, without the consent of the Holder of each Security affected, an amendment or waiver under this Section may not (with respect to any Security held by a nonconsenting Holder):

(i) reduce the aggregate principal amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the rate of or change the time for payment of interest, including default interest, on any outstanding Security;

(iii) reduce the principal of or change the fixed maturity of any Security or alter the redemption provisions or the price at which the Company shall offer to purchase such Security pursuant to Section 3.1 of Article III hereof;

(iv) make any Security payable in money other than that stated in the Prospectus;

(v) modify or eliminate the right of the estate of a Holder or a Holder to cause the Company to repurchase a Security upon the death or Total Permanent Disability of a Holder pursuant to Article III; provided, however, that the Company may not modify or eliminate such right, as it may be in effect on the Issue Date, of any Security which was issued with such right, and after an amendment under this subsection 9.2(a)(v) becomes effective, the Company shall mail to the Holders of each Security then outstanding a notice briefly describing the amendment;

(vi) make any change in Section 6.4 or 6.7 hereof or in this sentence of this Section 9.2;

(vii) make any change in Article X that materially adversely affects the rights of any Holders; or

(viii) waive a Default or Event of Default in the payment of principal of or interest on any Security (except a rescission of acceleration of the Securities by the Holders of at least a majority in aggregate principal amount of the Securities and a waiver of the payment default that resulted from such acceleration).

(b) It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

(c) After an amendment or waiver under this Section becomes effective, the Company shall mail to the Holders of each Security affected thereby a notice briefly describing the amendment or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver. Subject to Sections 6.4 and 6.7 hereof, the Holders of a majority in principal amount of the Securities then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Securities.

SECTION 9.3 COMPLIANCE WITH TRUST INDENTURE ACT.

If at the time this Indenture shall be qualified under the TIA, every amendment to this Indenture or the Securities shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

SECTION 9.4 EFFECT OF CONSENTS.

(a) Until an amendment or waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. An amendment or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

(b) The Company may fix a record date for determining which Holders must consent to such amendment or waivers. If the Company fixes a record date, the record date shall be fixed at (i) the later of 30 days prior to the first solicitation of such consent or the date of the most recent list of Holders furnished to the Trustee prior to such solicitation pursuant to Section 2.5, or (ii) such other date as the Company shall designate.

SECTION 9.5 NOTATION ON OR EXCHANGE OF SECURITIES.

The Trustee may place an appropriate notation about an amendment or waiver on any Security, if certificated, or any Account statement. Failure to make any notation or issue a new Security shall not affect the validity and effect of such amendment or waiver.

SECTION 9.6 TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amendment or supplemental indenture authorized pursuant to this Article IX if, in the Trustee's reasonable discretion, the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment or supplemental indenture, the Trustee shall be entitled to receive, if requested, an indemnity reasonably satisfactory to it and to receive and, subject to Section 7.1, shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel (or written advice of counsel) as conclusive evidence that such amendment or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms. The Company may not sign an amendment or supplemental indenture until its Board of Directors approves it.

ARTICLE X

SUBORDINATION

SECTION 10.1 AGREEMENT TO SUBORDINATE.

(a) The Company agrees, and each Holder by accepting a Security consents and agrees, that the Indebtedness evidenced by the Securities and the payment of the principal of and interest on the Securities is subordinated in right of payment, to the extent and in the manner provided in this Article, to the prior payment in full, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, of all Obligations due in respect of Senior Debt of the Company whether outstanding on the date hereof or hereafter incurred, and that the subordination is for the benefit of the holders of Senior Debt.

(b) For purposes of this Article X, a payment or distribution on account of the Securities may consist of cash, property or securities, by set-off or otherwise, and a payment or distribution on account of any of the Securities shall include, without limitation, any redemption, purchase or other acquisition of the Securities.

SECTION 10.2 LIQUIDATION; DISSOLUTION; BANKRUPTCY.

(a) Upon any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon (i) any dissolution or winding-up or total or partial liquidation or reorganization of the Company whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (ii) any bankruptcy or insolvency case or proceeding or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its assets, (iii) any assignment for the benefit of creditors or any other marshaling of assets of the Company, all obligations due, or to become due, in respect of Senior Debt (including interest after the commencement of any such proceeding at the rate specified in the applicable Senior Debt) shall first indefeasibly be paid in full, or provision shall have been made for such payment, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, before any payment is made on account of the principal of or interest on the Securities, except that Holders may receive securities that are subordinated to at least the same extent as the Securities are to (x) Senior Debt and (y) any securities issued in exchange for Senior Debt. Upon any such dissolution, winding-up, liquidation or reorganization, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Securities or the Trustee under this Indenture would be entitled, except for the provisions hereof, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Securities or by the Trustee under this Indenture if received by them, directly to the holders of Senior Debt (in order of priority, and when of equal priority, pro rata to such holders of equal priority on the basis of the amounts of Senior Debt held by such holders) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Debt may have been issued, as their interests may appear, for application to the payment of Senior Debt remaining unpaid until all such Senior Debt has been indefeasibly paid in full, or provisions shall have been made for such payment, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of Senior Debt.

(b) For purposes of this Article X, the words "cash, property or securities" shall not be deemed to include securities of the Company or any other corporation provided for by a plan of reorganization or readjustment which are subordinated, to at least the same extent as the Securities, to the payment of all Senior Debt then outstanding or to

the payment of all securities issued in exchange therefor to the holders of Senior Debt at the time outstanding. The consolidation of the Company with, or the merger of the Company with or into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided in Article V shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section if such other corporation shall, as part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article V.

(c) The provisions of Section 10.2(a) and (b) shall not prohibit, restrict or otherwise limit the Company from entering into, sponsoring or conducting any Qualified Sales and Financing Transaction.

SECTION 10.3 DEFAULT OF SENIOR DEBT.

(a) In the event and during the continuation of any default in the payment of principal of (or premium, if any) or interest on any Senior Debt, or any amount owing from time to time under or in respect of Senior Debt or in the event that any nonpayment event of default with respect to any Senior Debt shall have occurred and be continuing and shall have resulted in such Senior Debt becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, or (b) in the event that any other nonpayment event of default with respect to any Senior Debt shall have occurred and be continuing permitting the holders of such Senior Debt (or a trustee on behalf of the holders thereof) to declare such Senior Debt due and payable prior to the date on which it would otherwise have become due and payable, then the Company shall make no payment, direct or indirect (including any payment which may be payable by reason of the payment of any other Indebtedness of the Company being subordinated to the payment of the Securities) (other than securities that are subordinated to at least the same extent as the Securities are to (x) Senior Debt and (y) any securities issued in exchange for Senior Debt) unless and until (i) such event of default shall have been cured or waived or shall have ceased to exist or such acceleration shall have been rescinded or annulled, or (ii) in case of any nonpayment event of default specified in (b), during the period (a "PAYMENT BLOCKAGE PERIOD") commencing on the date the Company and the Trustee receive written notice (a "PAYMENT NOTICE") of such event of default (which notice shall be binding on the Trustee and the Holders as to the occurrence of such an event of default) from a holder of the Senior Debt to which such default relates and ending on the earliest of (A) 179 days after such date, (B) the date, if any, on which such Senior Debt to which such default relates is discharged or such default is waived by the holders of such Senior Debt or otherwise cured and (C) the date on which the Trustee receives written notice from the holder of such Senior Debt to which such default relates terminating the Payment Blockage Period. [Notwithstanding the foregoing, during any Payment Blockage Period, the Company shall make payments for rescinded subscriptions under Section 2.2(b) (including subscriptions that occur at a time when a post-effective amendment to the Registration Statement was required but not yet effective).] No new Payment Blockage Period may be commenced within 360 days after the receipt by the Trustee of any prior Payment Notice. For all purposes of this Section 10.3, no event of default which existed or was commencing with respect to the Senior Debt to which a Payment Blockage Period relates on the date such Payment Blockage Period commenced shall be or be made the basis for the

commencement or any subsequent Payment Blockage Period unless such event of default is cured or waived for a period of not less than 180 consecutive days.

SECTION 10.4 WHEN DISTRIBUTION MUST BE PAID OVER.

(a) If the Trustee or any Holder receives any payment with respect to the Securities, whether in cash, property or securities (other than securities that are subordinated to at least the same extent as the Securities are to the Senior Debt), such payment shall be held by the Trustee or such Holder, in trust for the benefit of, and shall be paid forthwith over and delivered to, the holders of Senior Debt (in order of their priority, and when of equal priority, pro rata to such holders of equal priority on the basis of the amounts of Senior Debt held by such holders) for application to the payment of all Obligations with respect to Senior Debt remaining unpaid to the extent necessary to pay such Obligations in full, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, in accordance with the terms of such Senior Debt, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

(b) With respect to the holders of Senior Debt, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article X, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holders or the Company or any other Person money or assets to which any holders of Senior Debt shall be entitled by virtue of this Article X, except if such payment is made as a result of the willful misconduct or negligence of the Trustee.

SECTION 10.5 NOTICE BY COMPANY.

The Company shall promptly notify the Trustee and the Paying Agent in writing of any facts known to the Company that would cause a payment of any Obligations with respect to the Company to violate this Article, but failure to give such notice shall not affect the subordination of the Securities to the Senior Debt provided in this Article.

SECTION 10.6 SUBROGATION.

After all Senior Debt is paid in full, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of such Senior Debt, and until the Securities are paid in full, Holders shall be subrogated (equally and ratably with all other Indebtedness pari passu with the Securities) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt to the extent that distributions otherwise payable to the Holders have been applied to the payment of Senior Debt.

SECTION 10.7 RELATIVE RIGHTS.

(a) This Article defines the relative rights of Holders and holders of Senior Debt. Nothing in this Indenture shall:

(i) impair, as between the Company and Holders, the obligations of the Company, which are absolute and unconditional, to pay principal of and interest on the Securities in accordance with their terms;

(ii) affect the relative rights of Holders and creditors of the Company other than their rights in relation to holders of Senior Debt; or

(iii) prevent the Trustee or any Holder from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior Debt to receive distributions and payments otherwise payable to Holders.

(b) If the Company fails because of this Article to pay principal of or interest on a Security on the due date, the failure is still a Default or Event of Default.

SECTION 10.8 SUBORDINATION MAY NOT BE IMPAIRED BY THE COMPANY OR HOLDERS OF SENIOR DEBT.

(a) No right of any present or future holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Securities and the Obligations related thereto shall be prejudiced or impaired by any act or failure to act by any such holder or by the Company, the Trustee or any Agent or by the failure of the Company to comply with this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

(b) Without limiting the effect of the preceding paragraph, any holder of Senior Debt may at any time and from time to time without the consent of or notice to any other holder or to the Trustee, without impairing or releasing any of the rights of any holder of Senior Debt under this Indenture, upon or without any terms or conditions and in whole or in part:

(i) change the manner, place or term of payment, or change or extend the time of payment of, renew or alter any Senior Debt or any other liability of the Company to such holder, any security therefor, or any liability incurred directly or indirectly in respect thereof, and the provisions of this Article X shall apply to the Senior Debt as so changed, extended, renewed or altered;

(ii) notwithstanding the provisions of Section 5.1 hereof, sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, any Senior Debt or any other liability of the Company to such holder or any other liabilities incurred directly or indirectly in respect thereof or hereof or any offset thereagainst;

(iii) exercise or refrain from exercising any rights or remedies against the Company or others or otherwise act or refrain from acting or, for any reason, fail to file, record or otherwise perfect any security interest in or lien on any property of the Company or any other Person; and

(iv) settle or compromise any Senior Debt or any other liability of the Company to such holder, or any security therefor, or any liability incurred directly or indirectly in respect thereof.

(c) All rights and interests under this Indenture of any holder of Senior Debt and all agreements and obligations of the Trustee, the Holders, and the Company under Article VI and under this Article X shall remain in full force and effect irrespective of (i) any lack of validity or enforceability of any agreement or instrument relating to any Senior Debt or (ii) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Trustee, any Holder, or the Company.

(d) Any holder of Senior Debt is hereby authorized to demand specific performance of the provisions of this Article X, whether or not the Company shall have complied with any of the provisions of this Article X applicable to it, at any time when the Trustee or any Holder shall have failed to comply with any of these provisions. The Trustee and the Holders irrevocably waive any defense based on the adequacy of a remedy at law that might be asserted as a bar to such remedy of specific performance.

SECTION 10.9 DISTRIBUTION OR NOTICE TO REPRESENTATIVE.

(a) Whenever a distribution is to be made or a notice given to holders of Senior Debt, the distribution may be made and the notice given to their representative.

(b) Upon any payment or distribution of assets of the Company referred to in this Article X, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending or upon any certificate of any representative of any holder of Senior Debt or of the liquidating trustee or agent or other Person making any distribution, delivered to the Trustee or to the Holders, for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article X.

SECTION 10.10 RIGHTS OF TRUSTEE AND PAYING AGENT.

(a) Notwithstanding the provisions of this Article X or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment or distribution by the Trustee, or the taking of any action by the Trustee, and the Trustee or Paying Agent may continue to make payments on the Securities unless it shall have received at its Corporate Trust Office at least five Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Securities to violate this Article, which notice, unless specified by a holder of Senior Debt as such, shall not be deemed to be a Payment Notice. The Trustee may conclusively rely on such notice. Only the Company or a holder of

Senior Debt may give the notice. Nothing in this Article X shall apply to amounts due to, or impair the claims of, or payments to, the Trustee under or pursuant to Section 7.7 hereof.

(b) The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 10.11 AUTHORIZATION TO EFFECT SUBORDINATION.

Each Holder of a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate, as between the holders of Senior Debt and the Holders, the subordination as provided in this Article X, and appoints the Trustee his attorney-in-fact for any and all such purposes.

SECTION 10.12 ARTICLE APPLICABLE TO PAYING AGENT.

In case at any time any Paying Agent (other than the Trustee or the Company) shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article X shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article X in addition to or in place of the Trustee.

SECTION 10.13 MISCELLANEOUS.

(a) The agreements contained in this Article X shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Senior Debt is rescinded or must otherwise be returned by any holder of Senior Debt upon the insolvency, bankruptcy or reorganization of the Company or otherwise, all as though such payment had not been made.

(b) The Trustee shall notify all holders of Senior Debt (of whose identity the Trustee has received reasonable advance written notice) of the existence of any Default or Event of Default under Section 6.1 promptly after a Responsible Officer of the Trustee actually becomes aware thereof; provided, however, that at least five Business Days prior to the notification of any holder of Senior Debt under this Section 10.13, the Trustee shall provide the Company with notice of its intent to provide such notification, provided further, however, that no defect in the form or delivery of the Trustee's notice to the Company shall preclude the timely notice by the Trustee to the holders of Senior Debt.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1 TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA ss. 318(c), the imposed duties shall control.

SECTION 11.2 NOTICES.

(a) Any notice, instruction, direction, request or other communication by the Company, the Trustee or any other holder of Senior Debt to the others is duly given if in writing and delivered in person or mailed by first-class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next day delivery, to the other's address:

If to the Company:

Consumer Portfolio Services, Inc.
16355 Laguna Canyon Road
Irvine, CA 92618

Attention: Chief Financial Officer
Telecopier: 949-753-6897

With a copy to:

Andrews Kurth LLP
1717 Main Street, Suite 3700
Dallas, TX 75201

Attention: Mark W. Harris
Telecopier: 214-659-4773

If to the Trustee:

Wells Fargo Bank, National Association
Sixth Street and Marquette Avenue
MAC N9303-120
Minneapolis, Minnesota, 55479

Attention: Consumer Portfolio Services, Inc, Administrator
Telecopier: (612) 667-9825

If to a holder of Senior Debt, such address as such holder of Senior Debt shall have provided in writing to the Company and the Trustee.

(b) The Company, the Trustee or a holder of Senior Debt by notice to the Company and the Trustee may designate additional or different addresses for subsequent notices or communications.

(c) All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next

Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

(d) Any notice or communication to a Holder shall be mailed by first-class mail to his address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

(e) If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

(f) If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 11.3 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Holders may communicate pursuant to TIA ss. 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Trustee shall be subject to ss. 312(b). The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA ss. 312(c).

SECTION 11.4 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.5) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.5) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

SECTION 11.5 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA ss. 314(a)(4)) shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion whether such covenant or condition has been complied with; and

(d) a statement whether, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 11.6 RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 11.7 LEGAL HOLIDAYS.

A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions in the State of Minnesota or at a place of payment are authorized or obligated by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 11.8 NO RECOURSE AGAINST OTHERS.

No director, officer, employee, agent, manager or stockholder of the Company as such, shall have any liability for any Obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such Obligations or their creation. Each Holder by accepting a Security waives and releases all such liability.

SECTION 11.9 DUPLICATE ORIGINALS.

The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture.

SECTION 11.10 GOVERNING LAW.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN THIS INDENTURE AND THE SECURITIES, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF.

SECTION 11.11 NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.12 SUCCESSORS.

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.13 SEVERABILITY.

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

SECTION 11.14 COUNTERPART ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 11.15 TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions thereof.

[REMAINDER OF PAGE BLANK]

SIGNATURES:

IN WITNESS WHEREOF, the parties hereto have caused to be duly executed as of the day and year first written above, this Indenture.

CONSUMER PORTFOLIO SERVICES, INC.

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION,
a national banking association, as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT 4.2

FORM OF SECURITIES

THIS RENEWABLE UNSECURED SUBORDINATED NOTE (THE "NOTE") OF CONSUMER PORTFOLIO SERVICES, INC (THE "COMPANY") IS SUBJECT TO THE TERMS OF THE INDENTURE, WHICH AMONG OTHER PROVISIONS, CONTAINS REQUIREMENTS FOR THE HOLDER TO TRANSFER THIS NOTE, INCLUDING THE PRIOR CONSENT OF THE COMPANY TO ANY SUCH TRANSFER. THE INDENTURE HAS BEEN FILED AS EXHIBIT 4.1 TO THE COMPANY'S REGISTRATION STATEMENT ON FORM S-2 DECLARED EFFECTIVE BY THE SECURITIES AND EXCHANGE COMMISSION ON OR ABOUT _____, 2005, PURSUANT TO WHICH THIS NOTE HAS BEEN ISSUED BY THE COMPANY.

THE COMPANY MAY REDEEM THIS NOTE, IN WHOLE OR IN PART, IN ACCORDANCE WITH THE TERMS OF THE INDENTURE.

[OID LEGEND, IF APPLICABLE]

CONSUMER PORTFOLIO SERVICES, INC.

Incorporated Under the Laws of California

RENEWABLE UNSECURED SUBORDINATED NOTES

Registered No.:_____ Registered Principal Amount: $_____

Issue Date:_____ Interest Rate:_____

Term:_____ Interest Payment Schedule:_____

Maturity Date:_____ Payment Date (for interest):_____

Consumer Portfolio Services, Inc., a corporation created under the laws of the State of California (the "Company," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars ($_____) on the Maturity Date and to pay accrued and unpaid interest hereon from the Issue Date set forth above, or from the most recent Payment Date to which interest has been paid or duly provided for, beginning on the first Payment Date after the Issue Date (the "Initial Payment Date") and on each subsequent Payment Date thereafter at the Interest Rate set forth above, until the principal hereof is paid or made available for payment; provided, however, that if the Payment Date is within five (5) Business Days of the Issue Date, then the first payment will be made in the following month and will include the interest earned since the Issue Date. Interest shall accrue on the principal amount for the period from the later of the Issue Date of this Note or the last Payment Date upon which an interest payment was made until and including the day before the following Payment Date. Initially capitalized terms used but not defined herein shall have the respective meanings given such terms in the Indenture.

The principal hereof is subject to optional redemption by the Company and optional repurchase at the request of the Holder, as provided in the Indenture, and if not so redeemed or repurchased, shall be due and payable in full on the Maturity Date, which also shall constitute a Payment Date. The principal and interest so payable and punctually paid or duly provided for on any Payment Date, as provided in the Indenture, will be paid to the Person in whose name this Note is registered (the "Holder") at the close of business on the Regular Record Date for such Payment Date. Payment of the principal of and interest on this Note will be made at the office of the Paying Agent, or in such other office as may be selected in accordance with the Indenture, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, provided, however, that at the option of the Company payment of interest may be made in United States dollars by wire or by check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the Certificate of Authentication hereon has been executed by or on behalf of the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

No recourse shall be had for the payment of the principal or interest of this Note against any Company incorporator, stockholder, officer, director, employee or agent by virtue of any statute or by enforcement of any assessment or otherwise; and any and all liability of incorporators, stockholders, directors, officers, employees and agents of the Company being released hereby.

IN WITNESS WHEREOF, the Company has caused this Renewable Unsecured Subordinated Note to be signed in its name by the manual or facsimile signature of its President and attested to by the manual or facsimile signature of its Secretary.

Dated:_____

CONSUMER PORTFOLIO SERVICES, INC.

By_____
Name:
Title:

Attest:

_____, Secretary

CERTIFICATE OF AUTHENTICATION

This Note is one of the Renewable Unsecured Subordinated Notes, referred to in the within-mentioned Indenture.

Dated:_____
Wells Fargo Bank National Association, as Trustee

By
Authorized Signature

REVERSE SIDE OF NOTE

This Note is one of a duly authorized issue of Renewable Unsecured Subordinated Notes of the Company designated as its Renewable Unsecured Subordinated Notes (the "Notes") in the maximum aggregate principal amount of up to $60,000,000, issued and to be issued under an Indenture, dated as of _____, 2005 (the "Indenture"), between the Company and Wells Fargo Bank National Association, as Trustee (the "Trustee," which term includes any successor Trustee under the Indenture). Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Company, the Trustee and the Holders, and for a statement of the terms upon which the Notes are, and are to be, authenticated and delivered. Capitalized and certain other terms used herein and not otherwise defined have the meanings set forth in the Indenture.

The Notes are general unsecured obligations of the Company. The payment of the principal of and interest on this Note is expressly subordinated, as provided in the Indenture, to the payment of all Senior Debt and, by the acceptance of this Note, the Holder hereof agrees, expressly for the benefit of the present and future holders of Senior Debt, to be bound by the provisions of the Indenture relating to such subordination and authorizes and appoints as such Holder's attorney-in-fact the Trustee to take such action on such Holder's behalf as may be necessary or appropriate to effectuate such subordination.

The Company may, at its option, at any time redeem this Note either in whole or from time to time in part prior to the Maturity Date by providing at least thirty (30) days written notice to the Holder.

If this Note shall be redeemed by call for redemption and payment be duly provided therefor as specified in the Indenture, interest shall cease to accrue on this Note.

This Note may be transferred and exchanged only as provided in the Indenture. This Note may not be assigned, transferred or otherwise alienated without the prior written consent of the Company and shall be subject to the Company's right to demand and receive an opinion of Holder's legal counsel (which counsel shall be reasonably acceptable to the Company) that the transfer does not violate any applicable securities laws. The Company may also require a signature guarantee.

Approximately fifteen (15) but not less than ten (10) days prior to the Maturity Date, the Company will send the Holder a Notice of Maturity to notify the Holder of the Maturity Date. If in the Notice of Maturity the Company does not notify the Holder of its intention to repay this Note, and unless within fifteen (15) days after the Maturity Date, the Holder has not demanded repayment of this Note, this Note shall be automatically renewed for an additional term equal to the term of the maturing Note and shall be deemed to have been renewed by the Holder and the Company as of the Maturity Date, such that a new Note shall be deemed to have been issued as of such Maturity Date. This Note will continue to renew as described herein absent some action permitted under the Indenture and this Note by either the Holder or the Company. Interest on the renewed Note shall accrue from the Issue Date thereof, which is the first day of such renewed term. This renewed Note will be deemed to have identical terms and provisions as the maturing Note, including provisions relating to payment, except that the interest rate payable during the term of the renewed Note shall be the interest rate which is being offered by the Company on other Notes with the same term as of the Issue Date of such renewal. If other Notes with the same term are not then being offered on the Issue Date of such renewal, the interest rate upon renewal will be the rate specified by the Company on or before the Maturity Date, or the Note's existing rate if no such rate is specified. If the Company gives notice to the Holder of the Company's intention to repay the Note at maturity, the Company shall pay the Holder the principal amount and accrued and unpaid interest thereon on the Maturity Date, and, provided such payment is timely made, no interest will accrue after the Maturity Date. Otherwise, if the Holder requests repayment within fifteen (15) days after the Maturity Date, no interest will accrue after the Maturity Date and the Holder will be sent payment upon the later of the Maturity Date or five (5) days following the date the Company receives such notice from Holder; provided that any interest paid to the Holder accruing after the Maturity Date shall be deducted from such payment

If an Event of Default shall occur and be continuing, the outstanding principal of this Note may be declared due and payable in the manner and with the effect provided in the Indenture. The Company shall pay all costs of collection, whether or not judicial proceedings are instituted, in the manner provided in the Indenture. The Indenture provides that such declaration and its consequences may, in certain events, be waived by the Holders of a majority in principal amount of the Notes outstanding.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time outstanding. The Indenture also contains provisions permitting the Holders of specified percentages of aggregate principal amount of the Notes at the time outstanding, on behalf of the Holders of all of the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture or amendment or modification hereof or thereof shall alter or impair the obligation of the Company to pay the principal of and interest on this Note at the times, place and rate and in the coin or currency herein prescribed.

In the event of a consolidation or merger of the Company into, or of the transfer of its assets substantially as an entirety to, a successor entity in accordance with the Indenture, such successor entity shall assume payment of the Notes and the performance of every covenant of the Indenture on the part of the Company, and in the event of any such transfer, the Company (or the successor entity in the event of a subsequent consolidation, merger or transfer) shall be discharged from all obligations and covenants in respect of the Notes and the Indenture and may be dissolved and liquidated, all as more fully set forth in the Indenture.

The Notes are originally issuable in such denominations as may be designated from time to time by the Company, but in no event in an original denomination less than $1,000. Subject to the provisions of the Indenture (including without limitation Section 2.6 thereof), the transfer of this Note is registerable in the Securities Register, upon surrender of this Note for registration of transfer at the office or agency of the Registrar duly endorsed by or accompanied by a written instrument of transfer in the form printed on this Note or in another form satisfactory to the Company and the Registrar duly executed by the Holder hereof or such Holder's attorney, duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. The Registrar may assess service charges for any such registration or transfer or exchange, and the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Note shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to the conflict of law provisions thereof.

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer this Note)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____

_____

_____ (Please print name and address of transferee)

this Note, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____, as Attorney-in-Fact, to transfer the within Note on the books kept for registration thereof, with full power of substitution.

Dated:_____

Signature:_____

(Signature must conform in all respects to name of holder as specified on the face of the Note)

Social Security or Other Identifying Number of Transferee: _____

Signature Guaranteed:

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Consumer Portfolio Services, Inc.

We consent to the incorporation by reference in the registration statement on Form S-2 of Consumer Portfolio Services, Inc. of our report dated March 15, 2004, with respect to the consolidated balance sheets of Consumer Portfolio Services, Inc. as of December 31, 2003 and 2002, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2003, which report appears in the December 31, 2003, annual report on Form 10-K of Consumer Portfolio Services, Inc. and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Orange County, California
January 7, 2005

EXHIBIT 25.1

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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)

WELLS FARGO BANK, NATIONAL ASSOCIATION
(Exact name of trustee as specified in its charter)

A NATIONAL BANKING ASSOCIATION (Jurisdiction of incorporation or organization if not a U.S. national bank)	94-1347393 (I.R.S. Employer Identification No.)
101 NORTH PHILLIPS AVENUE SIOUX FALLS, SOUTH DAKOTA (Address of principal executive offices)	57104 (Zip code)

WELLS FARGO & COMPANY
LAW DEPARTMENT, TRUST SECTION
MAC N9305-175
SIXTH STREET AND MARQUETTE AVENUE, 17TH FLOOR
MINNEAPOLIS, MINNESOTA 55479
(612) 667-4608
(Name, address and telephone number of agent for service)

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

CALIFORNIA (State or other jurisdiction of incorporation or organization)	33-0459135 (I.R.S. Employer Identification No.)
16355 LAGUNA CANYON ROAD IRVINE, CALIFORNIA (Address of principal executive offices)	92618 (Zip code)

$60,000,000 RENEWABLE UNSECURED SUBORDINATED NOTES
(Title of the indenture securities)

==========

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.

Comptroller of the Currency
Treasury Department
Washington, D.C.

Federal Deposit Insurance Corporation
Washington, D.C.

Federal Reserve Bank of San Francisco
San Francisco, California 94120

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

The trustee is authorized to exercise corporate trust powers.

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

None with respect to the trustee.

No responses are included for Items 3-14 of this Form T-1 because the obligor is not in default as provided under Item 13.

Item 15. FOREIGN TRUSTEE. Not applicable.

Item 16. LIST OF EXHIBITS. List below all exhibits filed as a part of this Statement of Eligibility.

Exhibit 1. A copy of the Articles of Association of the trustee now in effect.*

Exhibit 2. A copy of the Comptroller of the Currency Certificate of Corporate Existence and Fiduciary Powers for Wells Fargo Bank, National Association, dated February 4, 2004.**

Exhibit 3. See Exhibit 2

Exhibit 4. Copy of By-laws of the trustee as now in effect.***

Exhibit 5. Not applicable.

Exhibit 6. The consent of the trustee required by Section 321(b) of the Act.

Exhibit 7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.

Exhibit 8. Not applicable.

Exhibit 9. Not applicable.

* Incorporated by reference to the exhibit of the same number to the trustee's Form T-1 filed as exhibit 25 to the Form T-3 dated March 3, 2004 of Trans-Lux Corporation file number 022-28721.

** Incorporated by reference to the exhibit of the same number to the trustee's Form T-1 filed as exhibit 25 to the Form T-3 dated March 3, 2004 of Trans-Lux Corporation file number 022-28721.

*** Incorporated by reference to the exhibit of the same number to the trustee's Form T-1 filed as exhibit 25 to the Form T-3 dated March 3, 2004 of Trans-Lux Corporation file number 022-28721.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Minneapolis and State of Minnesota on the 6th day of January 2005.

WELLS FARGO BANK, NATIONAL ASSOCIATION

/s/ Jeffery T. Rose

Jeffery T. Rose
Corporate Trust Officer

EXHIBIT 6

January 6, 2005

Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

In accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, the undersigned hereby consents that reports of examination of the undersigned made by Federal, State, Territorial, or District authorities authorized to make such examination may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

/s/ Jeffery T. Rose

Jeffery T. Rose
Corporate Trust Officer

EXHIBIT 7

Consolidated Report of Condition of

Wells Fargo Bank National Association
of 101 North Phillips Avenue, Sioux Falls, SD 57104
And Foreign and Domestic Subsidiaries,
at the close of business September 30, 2004, filed in accordance with 12 U.S.C. ss.161 for National Banks.

	Dollar Amounts In Millions
ASSETS	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 13,183
Interest-bearing balances	2,782
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	30,191
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold in domestic offices	5,017
Securities purchased under agreements to resell	961
Loans and lease financing receivables:	
Loans and leases held for sale	33,062
Loans and leases, net of unearned income	240,775
LESS: Allowance for loan and lease losses	2,467
Loans and leases, net of unearned income and allowance	238,308
Trading Assets	5,989
Premises and fixed assets (including capitalized leases)	3,273
Other real estate owned	122
Investments in unconsolidated subsidiaries and associated companies	299
Customers' liability to this bank on acceptances outstanding	112
Intangible assets	
Goodwill	8,558
Other intangible assets	8,485
Other assets	12,631
Total assets	$ 362,973
LIABILITIES	
Deposits:	
In domestic offices	$261,252
Noninterest-bearing	79,485
Interest-bearing	181,767
In foreign offices, Edge and Agreement subsidiaries, and IBFs	18,543
Noninterest-bearing	3
Interest-bearing	18,540
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased in domestic offices	11,909
Securities sold under agreements to repurchase	3,155

	Dollar Amounts In Millions
Trading liabilities	4,285
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	15,091
Bank's liability on acceptances executed and outstanding	112
Subordinated notes and debentures	4,531
Other liabilities	10,005
Total liabilities	$ 328,883
Minority interest in consolidated subsidiaries	53
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	0
Common stock	520
Surplus (exclude all surplus related to preferred stock)	24,512
Retained earnings	8,305
Accumulated other comprehensive income	700
Other equity capital components	0
Total equity capital	34,037
Total liabilities, minority interest, and equity capital	$ 362,973

I, James E. Hanson, Vice President of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true to the best of my knowledge and belief.

James E. Hanson
Vice President

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

Dave Hoyt
Howard Atkins
Pat Callahan

Directors