

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Amendment No. 1 to FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CONSUMER PORTFOLIO SERVICES, INC.

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of incorporation or organization)

33-0459135

(I.R.S. Employer Identification Number)

**19500 Jamboree Road
Irvine, California 92612
(949) 753-6800
Fax (949) 753-6897**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Charles Bradley, Jr.
Chief Executive Officer
19500 Jamboree Road
Irvine, California 92612
(949) 753-6800**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:

Mark Harris, Esq.
Andrews Kurth LLP
1717 Main Street, Suite 3700
Dallas, Texas 75201
Telephone: (214) 659-4400
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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 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. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer []
Non-accelerated filer []

Accelerated filer []
Smaller reporting company [X]

CALCULATION OF REGISTRATION FEE

<u>Title of Each Class of Securities to Be Registered</u>	<u>Amount to be Registered</u>	<u>Proposed Maximum Offering Price Per Unit</u>	<u>Proposed Maximum Aggregate Offering Price</u>	<u>Amount of Registration Fee</u>
Renewable Unsecured Subordinated Notes	\$ 30,000,000	(1)	\$ 30,000,000	\$ 3565.00 (2)

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

(2) A registration fee in the amount of \$3565.00 was paid concurrently with the initial filing of this registration statement on August 20, 2010.

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.

\$ 30,000,000

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 \$ 30,000,000 of our renewable unsecured subordinated notes to new purchasers and existing noteholders. As of the date of this prospectus, we are offering the notes with maturities ranging from three months to ten years. However, depending on our capital needs, notes with certain terms may not always be offered. We will establish interest rates on the securities offered in this prospectus from time to time in interest rate supplements to this prospectus. Our filing such an interest rate supplement will not affect the interest rates applicable to any notes previously sold.

The notes are unsecured obligations and your right to payment is subordinated in right of payment to substantially all of our existing and future indebtedness, other than our issued and outstanding renewable unsecured subordinated notes, each of which is *pari passu* in right of payment with the notes offered hereby. Upon maturity, your notes will be automatically renewed for the same term as your maturing notes. The interest rate will be what we are then offering to other investors with similar aggregate note portfolios for notes of the same term, as specified in the most recently filed interest rate supplement, unless we elect not to have your notes renewed or unless you notify us within 15 days after the maturity date for your notes that you want your notes repaid. 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 total permanent disability, we are currently prohibited by contract from making any such repurchases. See "Description Of The Notes - Redemption or Repurchase Prior To Stated Maturity - Repurchase At Request of Holder."

We will market and sell the notes directly to the public. The notes will not be listed on any securities exchange or quoted on Nasdaq or any over-the-counter market. We do 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. 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	none	none
Proceeds to CPS, before expenses	100.00%	100.00%

See "Plan of Distribution" for a description of anticipated expenses to be incurred in connection with our offering and selling the notes. There will be no underwriting discount. We are not required to sell any specific number or dollar amount of notes in order to accept subscriptions.

We will issue the notes in book-entry or uncertificated form. Subject to certain limited exceptions, you will not receive a certificated security or a negotiable instrument that evidences your notes. We will deliver written confirmations to purchasers of the notes. Wells Fargo Bank, National Association, Minneapolis, Minnesota, will act as trustee for the notes.

The date of this Prospectus is September [__], 2010

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PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus and from our reports filed with the SEC, 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 35 .

CPS

We are a specialty finance company. Our business is to purchase and service retail automobile contracts originated primarily by franchised automobile dealers and, to a lesser extent, by select independent dealers in the United States in the sale of new and used automobiles, light trucks and passenger vans. Through our automobile contract purchases, we provide indirect financing to the customers of dealers who have limited credit histories, low incomes or past credit problems, who we refer to as sub-prime customers. We serve as an alternative source of financing for dealers, facilitating sales to customers who otherwise might not be able to obtain financing from traditional sources, such as commercial banks, credit unions and the captive finance companies affiliated with major automobile manufacturers. In addition to purchasing installment purchase contracts directly from dealers, we have also (i) acquired installment purchase contracts in three merger and acquisition transactions, (ii) purchased immaterial amounts of vehicle purchase money loans from non-affiliated lenders, and (iii) directly originated an immaterial amount of vehicle purchase money loans by lending money directly to consumers. In this report, we refer to all of such contracts and loans as "automobile contracts."

We were incorporated and began our operations in March 1991. From inception through December 31, 2009, we have purchased a total of approximately \$8.7 billion of automobile contracts from dealers. In addition, we obtained a total of approximately \$605.0 million of automobile contracts in mergers and acquisitions in 2002, 2003 and 2004. In 2004 and 2009, we were appointed as a third-party servicer for certain portfolios of automobile receivables originated and owned by entities not affiliated with us. During 2008 and 2009, unlike recent prior years, our managed portfolio decreased from the previous year due to our strategy of decreasing automobile contract purchases to conserve our liquidity in response to adverse economic conditions, as discussed further below in "Risk Factors - We Need Substantial Liquidity to Operate Our Business." Our total managed portfolio was approximately \$1,194.7 million at December 31, 2009 compared to \$1,664.1 million at December 31, 2008, \$2,162.2 million as of December 31, 2007 and \$1,565.9 million as of December 31, 2006. Our total managed portfolio was approximately \$931.61 million at June 30, 2010, compared to \$1,333.9 million at June 30, 2009.

We have incurred net losses every quarter subsequent to the quarter ended June 30, 2008. We have been adversely affected by the economic recession affecting the United States as a whole, by increased financing costs and decreased availability of capital to fund our purchases of automobile contracts, and by a decrease in the overall level of sales of automobiles and light trucks. We expect to return to profitability at some time within the calendar year 2011; however, there can be no assurance as to that expectation. Our expectation of profitability is a forward-looking statement. We identify important factors that could cause actual results to differ, generally in the "Risk Factors" section of this prospectus, and more specifically under the caption "Forward-Looking Statements."

We purchase automobile contracts with the intention of placing them into securitizations. Securitizations are transactions in which we sell a specified pool of automobile contracts to a special purpose entity of ours, which in turn issues asset-backed securities to fund the purchase of the pool of automobile contracts from us. Depending on the structure of the securitization, the transaction may be properly accounted for as a sale of the automobile 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, except that in September 2008, we securitized \$198.7 million of our automobile contracts in a structure that is treated as a sale of the receivables for financial accounting purposes.

We are headquartered in Irvine, California, where most operational and administrative functions are centralized. All credit and underwriting functions are performed in our California headquarters, and we service our automobile contracts from our California headquarters and from three servicing branches in Virginia, Florida and Illinois. Our principal executive offices are located at 19500 Jamboree Road, Irvine, California 92612, and our telephone number is (949) 753-6800.

The Offering

Issuer	Consumer Portfolio Services, Inc.
Trustee	Wells Fargo Bank, National Association
Selling Agent	None
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 without any collateral security.
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. We 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 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 are currently prohibited by contract from making any such repurchases.

See “Description of Notes — Redemption or Repurchase Prior To Stated Maturity- Repurchase At Request of Holder .”

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:

- are unsecured;
- rank junior to our existing and future secured debt, including the debt of our special purpose entities;
- rank junior to our existing and future senior unsecured debt, including debt we may incur under our existing and future credit facilities; and
- rank *pari passu* to our issued and outstanding renewable unsecured subordinated notes.

As of June 30, 2010, we had approximately \$806.7 million of debt outstanding that is senior to the notes, of which approximately \$780.0 million was issued by our consolidated special purpose entities. Including an additional approximately \$68.0 million of debt that does not appear on our consolidated financial statements (which was issued by our off-balance sheet special purpose entities), we had approximately \$874.7 million of debt outstanding that is senior to the notes. See “Capitalization.”

Limited Restrictive Covenants

The indenture governing the notes contains very limited restrictive covenants. One of these covenants prohibits us from paying dividends on our capital stock if there is an event of default with respect to the notes or if payment of the dividend would result in an event of default. We are not restricted from entering into qualified sales or financing transactions or incurring additional indebtedness.

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, we would expect to receive approximately \$49.7 million of net proceeds from this offering after paying the estimated offering expenses. The exact amount of net proceeds may vary considerably depending on how long the notes are offered and other factors. We intend to use the net proceeds to fund the purchase of automobile 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.

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 the OTC Bulletin Board 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.”

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, 2009, including an amendment thereto filed April 30, 2010;
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2010;
- Our Current Reports on Form 8-K filed with the SEC on April 1, April 7, June 3, June 16, August 30 and September 7, 2010 ; and
- Our definitive proxy statement filed August 2, 2010.

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 our offering of the 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.

We will provide without charge to each person to whom a copy of this prospectus is delivered, including any beneficial owner, 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. We will provide those documents, including any exhibits that are incorporated by reference into those documents, without cost to the requester. Requests for copies should be directed to:

Consumer Portfolio Services, Inc.
19500 Jamboree Road
Irvine, California 92612
Attention: Corporate Secretary
(949) 753-6800
notesinfo@consumerportfolio.com

You may also obtain copies of any of such reports at our website, free of charge, at <http://www.consumerportfolio.com/investorinfo.htm>.

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 100 F Street NE, Washington, DC 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>, and at our website at <http://www.consumerportfolio.com/investorinfo.htm>.

We have also filed a registration statement on Form S-1 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.

RISK FACTORS

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 regarding the notes and the company contained in this prospectus and in the documents incorporated by reference into this prospectus.

Risk Factors Relating to the Notes

Because of their characteristics, the notes may not be a suitable investment for you.

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.

Because the notes rank junior to substantially all of our existing and future debt and other financial obligations, your notes will lack priority in payment.

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 our issued and outstanding renewable unsecured subordinated notes, and your notes will be *pari passu* in right of payment with our issued and outstanding renewable unsecured subordinated notes. As of June 30, 2010, we had approximately \$806.7 million of debt outstanding that is senior to your notes, of which approximately \$780.0 million was issued by our consolidated special purpose entities. Including an additional approximately \$68.0 million of debt that does not appear on our consolidated financial statements (which was issued by our off-balance sheet special purpose entities), we had approximately \$874.7 million of debt outstanding that is 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.

Because there will be no trading market for the notes and because transfers of the notes require our consent, it may be difficult to sell 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. We are currently subject to contractual restrictions that prohibit us from repurchasing notes except in the case of death or total permanent disability of the related holder. In any event, 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."

Because the notes will have no sinking fund, collateral security, insurance or guarantee, you may lose all or a part of your investment in the notes if we do not have enough cash to pay the notes.

There is no sinking fund, collateral 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. Our cash flow from operations could be impaired under the circumstances described under “—Risks Related to Our Business”. If our cash flow from operations and other sources of funds are not sufficient to pay any amounts owed under 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 contractual restrictions that presently prohibit us from making any such repurchases and, in any event, to limitations on the amount of notes we would be willing to repurchase in any calendar quarter.

Because we have substantial indebtedness that is senior to the notes, our ability to pay the notes may be impaired.

We have now and, after we sell these notes, will continue to have a substantial amount of indebtedness. At June 30, 2010, we had approximately \$896.8 million of debt outstanding, comprising (in thousands):

Warehouse lines of credit (1)	29,448
Subordinated renewable notes	22,120
Residual interest financing (1)	48,765
Securitization trust debt (1)	701,820
Senior secured debt, related party	26,672
Total on balance sheet debt	<u>828,825</u>
Off-balance sheet securitization trust debt (1)(2)	67,977
Total on and off-balance sheet debt	<u><u>896,802</u></u>

(1) Debt obligations of our special purpose entities

(2) 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 June 30, 2010 was 40.8 (including all debt issued by off-balance sheet special purpose entities our debt to net worth ratio was 44.2 and excluding all securitization trust debt, our debt to net worth ratio was 6.3), and our ratio of earnings to fixed charges, including interest expense on the above-mentioned debt, was 0.74.

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.

If we incur substantially more indebtedness that is senior to your notes, our ability to pay the notes may be impaired.

Subject to limitations contained in our credit facilities and in the indenture, we may incur substantial additional indebtedness in the future. The indenture for the notes 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 automobile 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.”

Because we are subject to many restrictions in our existing credit facilities, our ability to pay the notes may be impaired.

The terms of our existing credit facilities and our securitization trust debt 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.”

Because there are limited restrictions on our activities under the indenture, you will have only limited protections 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.”

Because there are no financial covenants in the Indenture, we will not be required to maintain a positive net worth.

Unlike the indenture for our renewable unsecured subordinated notes issued prior to August 1, 2010, the indenture for the notes offered hereby does not contain any financial covenants relating to our net worth. Accordingly, we will not be required to maintain a positive net worth. However, if we fail to maintain a positive net worth, a majority of the holders of our renewable unsecured subordinated notes that were issued prior to August 1, 2010 will have the right to declare an event of default under the related indenture and accelerate the maturity of their notes. Any such acceleration may have a material and adverse effect on our liquidity and results of operation, which could impair our ability to make payments on the notes offered hereby.

Because we may redeem the notes at any time prior to their maturity, you may be subject to reinvestment risk.

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.”

Under certain circumstances, you may be required to pay taxes on accrued interest on the 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 remind you that there are substantial risk factors relating to our business generally, in addition to those described above relating specifically to the Notes.

Our business, operating results and financial condition could be adversely affected by any of the following specific risks. In addition to the risks described below, we may encounter risks that are not currently known to us or that we currently deem immaterial, which may also impair our business operations.

Risks Related to Our Business

We Require a Substantial Amount of Cash to Service Our Substantial Debt.

To service our existing substantial indebtedness, we require a significant amount of cash. Our ability to generate cash depends on many factors, including our successful financial and operating performance. Our financial and operational performance depends upon a number of factors, many of which are beyond our control. These factors include, without limitation:

- the economic and competitive conditions in the asset-backed securities market;
- the performance of our current and future automobile contracts;
- the performance of our residual interests from our securitizations and warehouse credit facilities;
- any operating difficulties or pricing pressures we may experience;
- our ability to obtain credit enhancement for our securitizations;
- our ability to establish and maintain dealer relationships;
- the passage of laws or regulations that affect us adversely;
- our ability to compete with our competitors; and
- our ability to acquire and finance automobile 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 obtain sufficient funding to satisfy all of our obligations. We presently find that funding in the asset-backed securities market is difficult to secure, that the credit performance of our automobile contracts has been adversely affected by general economic conditions, and that adverse effects on performance of our automobile contracts held in securitization pools result in an adverse effect on performance of residual interests. Such factors may result in our being unable to pay our debts timely or as agreed. If we were unable to pay our debts, we would 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 might not be feasible at the time, might prove inadequate or could require the prior consent of our 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 under senior subordinated debt agreements and sales of subordinated notes. However, we may not be able to obtain sufficient funding for our future operations from such sources. As of the date of this report, our access to the capital markets is impaired with respect to long-term debt, and the terms on which we are able to access short-term debt are inferior to those available to us in years immediately prior to the commencement of the current recession. As a consequence, our results of operations, financial condition and cash flows have been and may continue to be materially and adversely affected. We require a substantial amount of cash liquidity to operate our business. Among other things, we use such cash liquidity to:

- acquire automobile contracts;
- fund overcollateralization in warehouse credit facilities and securitizations;
- pay securitization fees and expenses;
- fund spread accounts in connection with securitizations;
- satisfy working capital requirements and pay operating expenses;
- pay taxes; and

- pay interest expense.

We have to date matched our liquidity needs to our available sources of funding by reducing our acquisition of new automobile contracts, at times to merely nominal levels. There can be no assurance that we will continue to be successful with that strategy.

We Are Not Presently Profitable

We have incurred net losses every quarter subsequent to the quarter ended June 30, 2008. We have been adversely affected by the economic recession affecting the United States as a whole, by increased financing costs and decreased availability of capital to fund our purchases of automobile contracts, and by a decrease in the overall level of sales of automobiles and light trucks. We expect to return to profitability at some time within the calendar year 2011; however, there can be no assurance as to that expectation. Our expectation of profitability is a forward-looking statement. We discuss the assumptions underlying that expectation under the caption "Forward-Looking Statements" in this prospectus. We identify important factors that could cause actual results to differ, generally in the "Risk Factors" section of this prospectus, and also under the caption "Forward-Looking Statements."

Our Results of Operations Will Depend on Our Ability to Secure and Maintain Adequate Credit and Warehouse Financing on Favorable Terms.

Our business strategy requires that warehouse credit facilities be available in order to purchase significant volumes of receivables.

Historically, our primary sources of day-to-day liquidity were our warehouse credit facilities, in which we sold and contributed automobile contracts, as often as twice a week, to special-purpose subsidiaries, where they were "warehoused" until they were securitized, at which time funds advanced under one or more warehouse credit facilities were repaid from the proceeds of the securitizations. The special-purpose subsidiaries obtained the funds to purchase these automobile contracts by pledging the automobile contracts to a trustee for the benefit of senior warehouse lenders, who advanced funds to our special-purpose subsidiaries based on the dollar amount of the automobile contracts pledged. Through November 2008, we depended substantially on two warehouse credit facilities: (i) a \$200 million warehouse credit facility, which we established in November 2005 and expired by its terms in November 2008; and (ii) a \$200 million warehouse credit facility, which we established in June 2004 and which was amended in December 2008 to eliminate future advances and to provide for repayment of the related debt from the cash collections on the related pledged automobile contracts, and certain other principal reductions until it was repaid in September 2009. In September 2009 we entered into a new \$50 million two-year multiple-draw credit facility, which, like a warehouse facility, allows us advances against new purchases of automobile contracts, and in March 2010 we entered into a second \$50 million delayed draw credit facility, which likewise allows us advances against new purchases of automobile contracts.

As stated elsewhere in this report, since the fourth quarter of 2007 we have observed adverse changes in the market for securitized pools of automobile contracts. If we are unable to maintain warehouse financing on acceptable terms, our results of operations, financial condition and cash flows could be materially and adversely affected.

Our Results of Operations Will Depend on Our Ability to Securitiz e Our Portfolio of Automobile Contracts.

Historically we have depended upon our ability to obtain permanent financing for pools of automobile contracts by conducting term securitization transactions. By "permanent financing" we mean financing that extends to cover the full term during which the underlying automobile contracts are outstanding and requires repayment as the underlying automobile contracts are repaid or charged off. By contrast, our warehouse credit facilities permit us to borrow against the value of such receivables only for limited periods of time. Our past practice and future plan has been and is to repay loans made to us under our warehouse credit facilities with the proceeds of securitizations. 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 automobile contracts for securitization.

As stated elsewhere in this report, since the fourth quarter of 2007 we have observed adverse changes in the market for securitized pools of automobile contracts, which has made permanent financing in the form of securitization transactions difficult to obtain and more costly than in prior periods. These changes include reduced liquidity and reduced demand for asset-backed securities, particularly for securities carrying a financial guaranty or for securities backed by sub-prime automobile receivables. Should we choose not to securitize automobile contracts in the future or do so on the more costly terms prevalent in current market conditions, we could expect a further material adverse effect on our results of operations.

Our Results of Operations Will Depend on Cash Flows from Our Residual Interests in Our Securitization Program and Our Warehouse Credit Facilities.

When we finance our automobile contracts through securitizations and warehouse credit facilities, we receive cash and a residual interest in the assets financed. Those financed assets are owned by the special-purpose subsidiary that is formed for the related securitization. This residual interest represents the right to receive the future cash flows to be generated by the automobile contracts in excess of (i) the interest and principal paid to investors or lenders on the indebtedness issued in connection with the financing, (ii) the costs of servicing the automobile contracts and (iii) certain other costs incurred in connection with completing and maintaining the securitization or warehouse credit facility. 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 first 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 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 automobile contracts in the automobile contract pools are below certain predetermined levels. In the event delinquencies, defaults or net losses on automobile contracts exceed these levels, the terms of the securitization or warehouse credit 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 automobile contracts from us to an unaffiliated servicer.

We typically retain 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 is 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 automobile contracts performs. If our portfolio of securitized and warehoused automobile 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. Such higher than expected losses have been incurred, which has had an adverse effect on our operations, financial condition and cash flows. Should losses continue to rise, we would expect further material adverse effects on our results of operations, financial condition and cash flows.

We May Have Rescission Liability in Connection with Sales of Our Renewable Unsecured Subordinated Notes to Certain Purchasers

We filed a registration statement on Form S-2 with respect to our renewable unsecured subordinated notes on January 7, 2005 and subsequently filed amendments to such registration statement on April 13, May 2, and May 20, 2005 and April 11, 2006 (such registration statement, as so amended, the "Former Registration Statement"). We recently discovered that, under a rule of the SEC, we are no longer permitted to offer and sell our renewable unsecured subordinated notes in reliance on the Former Registration Statement. Consequently, purchasers who acquired such notes within the past twelve months may have a statutory right to rescind their purchases. As a result, we could be required to repurchase some or all of such notes at the original sale price plus statutory interest, less the amount of any income received by the purchasers. Within the twelve months immediately preceding

August 13, 2010, we sold a total of approximately \$4.7 million of such notes, including renewals of previously sold notes, but excluding notes that we have repaid.

Sales of such notes could also subject us to regulatory sanctions by the SEC, which might include the imposition of civil penalties. Although we do not expect any rescissions or regulatory actions to have a material adverse effect on us, we are unable to predict the full consequences of these events and regulatory actions at this time.

Our results of operations, financial condition and cash flows could be materially and adversely affected if a substantial number of purchasers of such notes seek to exercise rescission rights, or if we are assessed substantial penalties by regulatory authorities. The exercise of rescission rights would not have any direct material effect on our results of operations, as any rescission of sales of such notes would involve simultaneous and approximately equal reductions in our assets and our liabilities. However, if holders of sufficient amounts of such notes were to demand rescission, the adverse effect on our liquidity could be material, which could in turn impair our ability to conduct our business as otherwise planned. In such event, our ability to perform our obligations under the renewable unsecured subordinated notes, including those offered by this Prospectus, could also be materially and adversely affected.

If We Are Unable to Obtain Credit Enhancement for Our Securitizations Upon Favorable Terms, Our Results of Operations Would Be Impaired.

In our securitizations, we historically have utilized credit enhancement in the form of one or more financial guaranty insurance policies issued by financial guaranty insurance companies. Each of these policies unconditionally and irrevocably guarantees certain interest and principal payments on the senior classes of the securities issued in our securitizations. These guarantees enabled these securities to achieve the highest credit rating available. This form of credit enhancement reduced the costs of our securitizations relative to alternative forms of credit enhancement available to us at the time. Such financial guaranty insurance policies are not at present available to us. Due to significantly reduced investor demand for securities carrying such a financial guaranty, it is likely that this form of credit enhancement, even if it were again to become available to us, may not be economic for us in the future. As we pursue future securitizations, we may not be able to obtain:

- credit enhancement in any form on terms acceptable to us, or at all; or
- similar ratings for senior classes of securities to be issued in future securitizations.

Based on indications from market participants as to reduced investor comfort with credit ratings and financial guarantees, we believe that even if we were unable to obtain such enhancements or such ratings, we would expect to incur increased interest expense. Such increased interest expense would adversely affect our results of operations.

If We Are Unable to Successfully Compete With Our Competitors, Our Results of Operations May Be Impaired.

The automobile financing business is highly competitive. We compete with a number of national, regional and local 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 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 automobile contracts from dealers at a price acceptable to us, which could result in reductions in our revenues or the cash flows available to us.

If Our Dealers Do Not Submit a Sufficient Number of Suitable Automobile Contracts to Us for Purchase, Our Results of Operations May Be Impaired.

We are dependent upon establishing and maintaining relationships with a large number of unaffiliated automobile dealers to supply us with automobile contracts. During the year ended December 31, 2009, no single dealer accounted for more than 8.0% of the automobile contracts we purchased. The agreements we have with dealers to purchase automobile contracts do not require dealers to submit a minimum number of automobile contracts for purchase. The failure of dealers to submit automobile 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 results of operations.

If a Significant Number of Our Automobile Contracts Experience Defaults, Our Results of Operations May Be Impaired.

We specialize in the purchase and servicing of automobile contracts to finance automobile purchases by sub-prime customers, those who have limited credit history, low income, or past credit problems. Such automobile contracts entail a higher risk of non-performance, higher delinquencies and higher losses than automobile contracts with more creditworthy customers. While we believe that our pricing of the automobile contracts and the underwriting criteria and collection methods we employ enable us to control, to a degree, the higher risks inherent in automobile contracts with sub-prime customers, no assurance can be given that such pricing, criteria and methods will afford adequate protection against such risks. We have experienced increases in the delinquency of, and credit losses on, our automobile contracts.

If automobile contracts that we purchase and hold experience defaults to a greater extent than we have anticipated, this could materially and adversely affect our results of operations, financial condition, cash flows and liquidity. Our results of operations, financial condition, cash flows and liquidity, depend, to a material extent, on the performance of automobile contracts that we purchase, warehouse and securitize. A portion of the automobile contracts acquired by us will default or prepay. In the event of payment default, the collateral value of the vehicle securing an automobile contract realized by us in a repossession will most likely not cover the outstanding principal balance on that automobile contract and the related costs of recovery. We maintain an allowance for credit losses on automobile contracts held on our balance sheet, which reflects our estimates of probable credit losses that can be reasonably estimated for securitizations that are accounted for as financings and warehoused automobile 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 credit facilities, we are not able to borrow against defaulted automobile contracts, including automobile contracts that are, at the time of default, funded under our warehouse credit facilities, which will reduce the overcollateralization of those warehouse credit facilities and possibly reduce the amount of cash flows available to us.

If We Lose Servicing Rights on Our Portfolio of Automobile Contracts, Our Results of Operations Would Be Impaired.

We are entitled to receive servicing fees only while we act as servicer under the applicable sale and servicing agreements governing our warehouse facilities and securitizations. Under such agreements, 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 have received waivers regarding the potential breach of certain covenants relating to minimum net worth and maintenance of active warehouse credit facilities. Without such waivers, certain credit enhancement providers would have had the right to terminate us as servicer with respect to certain of outstanding securitization pools. Although such rights have been waived, such waivers are temporary, and there can be no assurance as to their future extension. We do, however, believe that we will obtain such future extensions because it is generally not in the interest of any party to the securitization transaction to transfer servicing. Nevertheless, there can be no assurance as to our belief being correct. The loss of our servicing rights could materially and adversely affect our results of operations, financial condition and cash flows. Our results of operations, financial condition and cash flows, would be materially and adversely affected if we were to be terminated as servicer with respect to a material portion of the automobile contracts for which we are receiving servicing fees.

If We Lose Key Personnel, Our Results of Operations May Be Impaired.

Our senior management team averages thirteen years of service with us. Charles E. Bradley, Jr., our President and CEO, has been our President since our formation in 1991. 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. Layoffs that we have implemented since 2008 may have reduced employee loyalty, which may in turn result in decreased employee performance. Conversely, adverse general economic conditions may have had a countervailing effect. 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.

If We Fail to Comply with Regulations , Our Results of Operations May Be Impaired.

Failure to materially comply with all laws and regulations applicable to us could materially and adversely affect our ability to operate our business. 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 automobile contracts;
- require specific disclosures to our customers;
- 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.

Recent Legislation and Proposed Regulations May Have an Adverse Effect on Our Business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") mandates the most wide-ranging overhaul of financial industry regulation in decades. Dodd-Frank was signed into law on July 21, 2010, and is now in the implementation stage. The law provides a regulatory framework and requires that regulators, some of which are new regulatory bodies created by Dodd-Frank, draft, review and approve more than 200 implementing regulations and conduct numerous studies that are likely to lead to more regulations. In addition, the Commission has recently proposed amendments to regulations first adopted in 2005 known as Regulation AB. The amendments to Regulation AB have yet to be adopted and are expected to be significantly modified from the form initially proposed, however, the final form of the amendments to Regulation AB when adopted are expected to adversely affect CPS's ability to complete securitization transactions without increased expense.

Compliance with these new laws and regulations may be or likely will be costly and can affect operating results. Compliance requires forms, processes, procedures, controls and the infrastructure to support these requirements. Compliance may create operational constraints and place limits on pricing. Laws in the financial services industry are designed primarily for the protection of consumers. The failure to comply could result in significant statutory civil and criminal penalties, monetary damages, attorneys' fees and costs, possible revocation of licenses and damage to reputation, brand and valued customer relationships.

At this time, it is difficult to predict the extent to which the Dodd-Frank Act or the resulting regulations or the Regulation AB amendments will affect our business. However, compliance with these new laws and regulations may result in additional cost and expenses, which may adversely affect our results of operations, financial condition or liquidity.

If We Experience Unfavorable Litigation Results, Our Results of Operations May Be Impaired.

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. 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 automobile 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 automobile 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.

If We Experience Problems with Our Originations, Accounting or Collection Systems, Our Results of Operations May Be Impaired.

We are dependent on our receivables originations, accounting and collection systems to service our portfolio of automobile contracts. Such systems are vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses and other events. A significant number of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality. Our systems are also subject to break-ins, sabotage and intentional acts of vandalism by internal employees and contractors as well as third parties. Despite any precautions we may take, such problems could result in interruptions in our services, which could harm our reputation and financial condition. We do not carry business interruption insurance sufficient to compensate us for losses that may result from interruptions in our service as a result of system failures. Such systems problems could materially and adversely affect our results of operations, financial conditions and cash flows.

We Have Substantial Indebtedness.

We have and will continue to have a substantial amount of indebtedness. At June 30, 2010, we had approximately \$828.8 million of debt outstanding. Such debt consisted primarily of \$701.8 million of securitization trust debt, and also included \$29.4 million of warehouse lines of credit, \$48.8 million of residual interest financing, \$26.7 million of senior secured related party debt, and \$22.1 million owed to holders of our renewable unsecured subordinated notes. We have offered our renewable unsecured subordinated notes to the public on a continuous basis from May 2005 through July 2010, and those notes have maturities that range from three months to ten years.

Our substantial indebtedness could adversely affect our financial condition 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 are able to service and repay such debt, 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 debt would be impaired. Failure to pay our indebtedness when due could have a material adverse effect.

Because We Are Subject to Many Restrictions in Our Existing Credit Facilities and Securitization Transactions, Our Ability to Pay Dividends or Engage in Specified Transactions May Be Impaired.

The terms of our existing credit facilities, term securitizations and our other outstanding debt impose significant operating and financial restrictions on us and our subsidiaries and require us to meet certain financial tests. These restrictions may have an adverse effect 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 generate earnings. In addition, the failure to comply with any of the covenants of one or more of our debt agreements could cause a default under 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 or any other debt agreement, would likely cause a default under 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.

In addition, the transaction documents for our securitizations restrict our securitization subsidiaries from declaring or making payment to us of (i) any dividend or other distribution on or in respect of any shares of their capital stock, or (ii) any payment on account of the purchase, redemption, retirement or acquisition of any option, warrant or other right to acquire shares of their capital stock unless (in each case) at the time of such declaration or payment (and after giving effect thereto) no amount payable under any transaction document with respect to the related securitization is then due and owing, but unpaid. These restrictions may limit our ability to receive distributions in respect of the residual interests from our securitization facilities, which may limit our ability to generate earnings.

Risks Related to General Factors

If The Economy of All or Certain Regions of the United States Continues to Slow Down or the Current Recession Worsens, Our Results of Operations May Be Impaired.

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 automobile 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, Ohio, Florida, Pennsylvania and Louisiana, states in which our automobile contracts are geographically concentrated. Any sustained period of economic slowdown or recession could adversely affect our ability to acquire suitable automobile contracts, or to securitize pools of such automobile 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 automobile contracts and result in reductions in our revenues or the cash flows available to us.

Our Results Of Operations May Be Impaired As a Result of Natural Disasters.

Our automobile contracts are geographically concentrated in the states of California, Texas, and Florida. Such states may be particularly susceptible to natural disasters: earthquake in the case of California, and hurricanes and flooding in the states of Florida and Texas. Natural disasters, in those states or others, could cause a material

number of our vehicle purchasers to lose their jobs, or could damage or destroy vehicles that secure our automobile contracts. In either case, such events could result in our receiving reduced collections on our automobile contracts, and could thus result in reductions in our revenues or the cash flows available to us.

If an Increase in Interest Rates Results in a Decrease in Our Cash Flow from Excess Spread, Our Results of Operations May Be Impaired.

Our profitability is largely determined by the difference, or "spread," between the effective interest rate received by us on the automobile contracts that we acquire and the interest rates payable under warehouse credit facilities and on the asset-backed securities issued in our securitizations. Recent disruptions in the market for asset-backed securities are likely to result in an increase in the interest rates we would pay on asset-backed securities that we may issue in future securitizations. Although we have the ability to partially offset increases in our cost of funds by increasing fees we charge to dealers when purchasing automobile contracts, or by demanding higher interest rates on automobile contracts we purchase, there is no assurance that such actions will materially offset increases in interest we pay to finance our managed portfolio.

Several factors affect our ability to manage interest rate risk. Specifically, we are subject to interest rate risk during the period between when automobile contracts are purchased from dealers and when such automobile contracts are sold and financed in a securitization. Interest rates on warehouse credit facilities are typically adjustable while the interest rates on the automobile contracts are fixed. Therefore, if interest rates increase, the interest we must pay to the lenders under warehouse credit facilities is likely to increase while the interest realized by us from those warehoused automobile contracts remains the same, and thus, during the warehousing period, the excess spread cash flow received by us would likely decrease. Additionally, automobile 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 security holders 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 securitized automobile contracts were originated and entered the warehouse, while our customers pay fixed rates of interest on the automobile contracts, set at the time they purchase the underlying vehicles. A decrease in excess spread cash flow could adversely affect our earnings and cash flow.

To mitigate, but not eliminate, the short-term risk relating to interest rates payable by us under the warehouse facilities, we have historically held automobile contracts in the warehouse credit 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 automobile 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 automobile contracts into the securitization in amounts up to the balance of the pre-funded escrow account. In pre-funded securitizations, we effectively lock in our borrowing costs with respect to the automobile 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 automobile contracts and the interest rate paid on the securities issued in the securitization. The amount of such expense may vary. Despite these mitigation strategies, an increase in prevailing interest rates would cause us to receive less excess spread cash flows on automobile contracts, and thus could adversely affect our earnings and cash flows.

RECENT DEVELOPMENTS

Non-compliance with Nasdaq Listing Requirement

On August 24, 2010, we received from Nasdaq a staff deficiency letter indicating that we have failed to comply with the minimum bid price requirement for continued listing on the Nasdaq Global Market. A minimum bid price of \$1.00 per share is required by Nasdaq Rule 5450(a)(1). Our common stock remains listed on the Nasdaq Global Market during the 180-day grace period following such notification of noncompliance. We have until February 22, 2011 to regain compliance with the minimum price rule; otherwise our common stock would be subject to delisting. We are considering several steps that could be taken to maintain public trading of our common stock. Such steps include (i) proposing and submitting to our shareholders for approval a reverse stock split, (ii) transferring the listing of our common stock to the Nasdaq Capital Market, or (iii) arranging for the quotation

of trades in respect of our common stock through market makers on the OTCQB market. It should be noted that alternative (ii), transfer to the Nasdaq Capital Market, does no more than extend the grace period for 180 days following transfer of listing.

Waivers and Amendments of Financial and Performance Covenants

Certain of our securitization transactions and our warehouse credit facilities contain various financial covenants requiring certain minimum financial ratios and results. Such covenants include (i) maintaining minimum levels of liquidity or warehouse financing availability, (ii) maintaining minimum levels of adjusted net worth, (iii) not exceeding maximum leverage levels, and (iv) not exceeding maximum financial losses. In addition, certain of our securitization and non-securitization related debt contains cross-default provisions which would allow certain of our creditors to declare a default if a default were declared under a different facility. As a result of waivers and amendments to these covenants and cross-default provisions throughout 2009 and during the first and second quarter of 2010, we were in compliance with all such covenants and cross-default provisions as of each monthly or quarterly measurement date and as of date of this prospectus.

There can be no assurance that we will remain in compliance with any of the covenants and cross-default provisions in our securitization transactions or our warehouse credit facilities (as the same have been and/or may be amended from time to time) or that we will be able to obtain waivers or amendments to any such covenants and cross default provisions from our senior lenders in the future. If we are unable to remain in compliance with any such covenants and cross-default provisions and we are not able to obtain waivers or amendments to any such covenants and cross-default provisions, we could be terminated as servicer under the terms of the related securitization transactions and warehouse credit facilities.

As of June 30, 2010, we were in compliance with all applicable financial covenants, in part by reason of having received waivers of compliance as summarized in the table below. All such waivers relate to securitization trust debt issued by our consolidated subsidiaries.

<i>Financial covenant</i>	<i>Applicable Standard</i>	<i>Status Requiring Waiver(as of or for the quarter ended June 30, 2010)</i>
Warehouse financing capacity	\$200 million of warehouse capacity	\$50 million of warehouse capacity
Adjusted net worth (I)	\$87.6 million	\$20.3 million
Leverage (I)	Not greater than 4.5:1	5.8:1
Adjusted net worth (II)	\$87.6 million	\$20.3 million
Leverage (II)	Not greater than 4.5:1	5.8:1
Adjusted net worth (III)	\$95.3 million	\$20.3 million
Financial loss	Not greater than (\$7.5 million)	(\$9.0 million)

The covenant regarding warehouse financing capacity is a covenant to maintain one or more credit facilities that allow us to finance acquisition of automobile contracts on a revolving basis, with a minimum aggregate capacity of \$200 million. The adjusted net worth covenants are covenants to maintain minimum levels of adjusted net worth, defined in each case as our consolidated book value under GAAP with the exclusion of intangible assets such as goodwill. The three separate adjusted net worth covenants run in favor of three separate financial guaranty insurers of classes of our outstanding securitization trust debt. The leverage covenants require that we not exceed specified ratios of recourse debt over the defined adjusted net worth. Recourse debt means consolidated liabilities other than debt (warehouse debt, securitization trust debt and residual interest financing) issued by our special-purpose subsidiaries; at June 30, 2010 we had recourse debt of \$68.9 million and non-recourse debt issued by such subsidiaries of \$780.0 million. The two separate leverage covenants run in favor of two separate financial guaranty insurers of classes of our outstanding securitization trust debt. The financial loss covenant requires that we not record a loss of more than \$7.5 million in any quarterly or annual reporting period.

Subsequent to June 30, 2010 and prior to the date of this prospectus, we agreed with one of the insurers to amend applicable agreements to remove financial covenants. As a result of those amendments, we are no longer bound by the covenants identified in the table above as "Adjusted net worth (II)" and "Leverage (II)," and we no longer require a waiver of compliance with respect to the related \$383.1 million of securitization trust debt.

See "Risk Factors – Risk Factors Relating To CPS – Risks Related to Our Business – If We Lose Servicing Rights on Our Portfolio of Automobile Contracts, Our Results of Operations Would be Impaired."

Availability of Funding

Since the fourth quarter of 2007, we have observed unprecedented adverse changes in the market for securitized pools of automobile contracts. These changes include reduced liquidity, and reduced demand for asset-backed securities, particularly for securities carrying a financial guaranty and for securities backed by sub-prime receivables. Moreover, many of the firms that previously provided financial guarantees, which were an integral part of our securitizations, are no longer offering such guarantees. In November 2008, we lost the ability to draw against available warehouse facilities, causing us to conserve liquidity by reducing our purchases of automobile contracts to nominal levels. However, in September 2009 we entered into a \$50 million revolving credit facility that allows advances against new purchases of automobile contracts, and in March 2010 we entered into another \$50 million delayed draw credit facility, which also allows us advances against new purchases of automobile contracts. These facilities have provided us the liquidity to gradually increase our automobile contract purchases from dealers. Moreover, during 2009 and to date in 2010 we have observed an increase in demand for asset-backed securities, including, securities backed by sub-prime automobile receivables. Nevertheless, if the current adverse circumstances that have affected the capital markets should worsen, we may again curtail or cease our purchases of new automobile contracts, which could lead to a material adverse effect on our operations.

Contingent Rescission Liability

We filed a registration statement on Form S-2 with respect to our renewable unsecured subordinated notes on January 7, 2005 and subsequently filed amendments to such registration statement on April 13, May 2, and May 20, 2005 and April 11, 2006 (such registration statement, as so amended, the "Former Registration Statement"). We recently discovered that, under a rule of the SEC, we are no longer permitted to offer and sell our renewable unsecured subordinated notes in reliance upon the Former Registration Statement. Consequently, purchasers who acquired such notes within the immediately preceding twelve months may have a statutory right to rescind their purchases. As a result, we could be required to repurchase some or all of such notes at the original sale price plus statutory interest, less the amount of any income received by the purchasers. Within the twelve months immediately preceding August 13, 2010, we sold a total of approximately \$4.7 million of such notes, including renewals of previously sold notes, but excluding notes that we have repaid.

Sales of such notes could also subject us to regulatory sanctions by the SEC, which might include the imposition of civil penalties. Although we do not expect any rescissions or regulatory actions to have a material adverse effect on us, we are unable to predict the full consequences of these events and regulatory actions at this time.

Our results of operations, financial condition and cash flows could be materially and adversely affected if a substantial number of purchasers of such notes seek to exercise rescission rights, or if we are assessed substantial penalties by regulatory authorities. The exercise of rescission rights would not have any direct material effect on our results of operations, as any rescission of sales would involve simultaneous and approximately equal reductions in our assets and our liabilities. However, if holders of sufficient amounts of such notes were to demand rescission, the adverse effect on our liquidity could be material, which could in turn impair our ability to conduct our business as otherwise planned. In such event, our ability to perform our obligations under the renewable unsecured subordinated notes, including those offered by this Prospectus, could also be materially and adversely affected.

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. In particular, but without limitation, our statement that we expect to return to profitability within the calendar year 2011 is a forward-looking statement. That expectation is dependent on our ability to avoid or to mitigate the risks inherent in our business, which risks we have described above.

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.

The risk factors discussed above could cause our actual results to differ materially from those expressed in any forward-looking statements, including, without limitation, our statement that we expect to return to profitability within the calendar year 2011. Factors that we believe are especially important with respect to that particular statement are those discussed above under the captions “We Require a Substantial Amount of Cash to Service Our Substantial Debt,” “We Need Substantial Liquidity to Operate Our Business,” “Our Results of Operations Will Depend on Our Ability to Secure and Maintain Adequate Credit and Warehouse Financing on Favorable Terms,” “Our Results of Operations Will Depend on Our Ability to Securitize Our Portfolio of Automobile Contracts,” “If We Lose Servicing Rights on Our Portfolio of Automobile Contracts, Our Results of Operations Would Be Impaired,” “If We Experience Unfavorable Litigation Results, Our Results of Operations May Be Impaired,” and “If The Economy of All or Certain Regions of the United States Continues to Slow Down or the Current Recession Worsens, Our Results of Operations May Be Impaired.”

RATIOS OF EARNINGS TO FIXED CHARGES

	Year Ended					Six Months Ended
	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Ratio of earnings to fixed charges ¹	1.06	1.14	1.17	0.72	0.56	0.74
Deficiency ² (\$000s)	--	--	--	(43,455)	(49,407)	(11,186)

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, 2008 and 2009, and the six-month period ended June 30, 2010.

USE OF PROCEEDS

If all of the notes are sold, we would expect to receive approximately \$ 29 .5 million of net proceeds from this offering after payment of estimated offering expenses. Although we have no specific plan to allocate the proceeds, the general purpose of the offering is to raise capital to purchase automobile 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 June 30, 2010. 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 from the offering.”

	As of June 30, 2010 (in 000's)	
	Actual	As adjusted
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	\$ 20,081	\$ 20,081
Warehouse lines of credit	29,448	29,448
Residual interest financing	48,765	48,765
Securitization trust debt	701,820	701,820
Senior secured debt	26,672	26,672
Renewable Subordinated Notes Subordinated debt	22,120	52,120
	<u>848,906</u>	<u>878,906</u>
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; None issued; none outstanding	--	--
Common stock, no par value; authorized 75,000,000 shares; 17,364,780 shares issued and outstanding at June 30, 2010	54,076	54,076
Additional paid-in capital, warrants	9,141	9,141
Retained earnings (accumulated deficit)	(37,289)	(37,289)
Accumulated other comprehensive loss	(5,636)	(5,636)
Total Shareholders' Equity	<u>20,292</u>	<u>20,292</u>
Total capitalization	<u>\$ 869,198</u>	<u>\$ 899,198</u>

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 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 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, we 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. We 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, 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:

- three months
- six months
- one year
- two years
- three years
- four years
- five years
- 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 portfolio of the holder. The interest rates payable at each level of investment will be set forth in an interest rate supplement to this prospectus.

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.

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 may engage a non-affiliated third party to act as our servicing agent. Such person’s responsibilities as servicing agent would 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, a servicing agent may serve as our registrar and transfer agent and may manage certain aspects of the customer service function for the notes, which may include handling phone inquiries, mailing investment kits, processing subscription agreements, issuing quarterly investor statements and redeeming and repurchasing notes. In addition, we may retain a servicing agent to provide us with monthly reports and analysis regarding the status of the notes, and the amount of notes that remain available for purchase.

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

Consumer Portfolio Services, Inc.
19500 Jamboree Road, Fifth Floor
Irvine, CA 92612
Telephone: (866) ___ - ____
Fax: (949) ___ - ____

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.

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. We will regularly provide the trustee with information regarding the establishment of new accounts and the transfer of existing accounts.

We 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, we will credit interest due on each account and direct payments to the holders. We 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 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 us 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 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, we 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 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 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. We 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, we 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, we will also send to you a current interest rate supplement and, if the prospectus has changed since the delivery of this prospectus in connection with your original subscription or any prior renewal, a current prospectus or prospectus supplement. 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 because the prospectus has not changed since the delivery of this prospectus in connection with your original subscription or any prior renewal, we will send you a new prospectus upon your 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. 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 us.

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 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 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. We have agreed not to repurchase any notes other than upon maturity, or upon the death or total permanent disability of the holder. We agreed to that prohibition (subject to the exceptions stated) in order to issue and sell secured notes in the original principal amount of \$10 million, subsequently increased to an aggregate principal amount of \$30 million, pursuant to a Securities Purchase Agreement ("SPA") between us and Levine Leichtman Capital Partners IV, L.P. ("LLCP"), dated June 30, 2008 and as subsequently amended. Under the SPA, LLCP has purchased from us notes representing our senior secured debt. The general prohibition on our repurchase of the notes offered by this prospectus is one of several provisions of the SPA that are designed to protect LLCP as our creditor.

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 would apply even in the absence of our contractual prohibition on repurchases, noted above.

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 note register only as follows:

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

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

Quarterly Statements. We 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. We 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 [\$22.1 million, as of June 30, 2010, 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 June 30, 2010, we had approximately \$806.7 million of debt outstanding that is senior to the notes, of which approximately \$780.0 million was issued by our consolidated special purpose entities. Including an additional approximately \$68.0 million of debt that does not appear on our consolidated financial statements (which was issued by our off-balance sheet special purpose entities), we had approximately \$874.7 million of debt outstanding that is senior to the 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 – Because the notes rank junior to substantially all of our existing and future debt and other financial obligations, your notes will lack priority in payment."

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 and event of 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
 - 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.

Provided, however, that if any of the blockage events described above has occurred and 179 days have passed since the trustee's receipt of the notice of default without the occurrence of the cure, waiver or termination of all blockage periods described above, the trustee may thereafter sue on and enforce the indenture and the notes as long as any funds paid as a result of any such suit or enforcement action shall be paid toward the senior debt until it is indefeasibly paid in full before being applied to the notes.

No Collateral 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 – Because the notes will have no sinking fund, security, insurance or guarantee, you may lose all or a part of your investment in the notes if we do not have enough cash to pay the notes."

Restrictive Covenants. The indenture contains certain limited restricted covenants that restrict us from certain actions as set forth below.

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

- we will not declare or pay any dividends or other payments of cash or other property solely in respect of our capital stock 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;
- to the extent legally permissible, we 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 the indenture; and
- neither our board of directors nor our shareholders will 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 our assets, otherwise than (i) substantially as an entirety, or (ii) in a 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 our remaining assets to the holders of our capital stock, unless, prior to making any liquidating distribution pursuant to such plan, we make provision for the satisfaction of our obligations under the renewable unsecured subordinated notes.

We are not restricted from entering into qualified sale and financing transactions or incurring additional indebtedness. See "Risk Factors – Risk Factors Relating to the Notes – Because there are limited restrictions on our activities under the Indenture, 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 15 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 60 days after our receipt of notice;
- defaults in certain of our other payment obligations that result in such payment obligations becoming or being declared immediately due and payable and such declaration is not rescinded or annulled within 60 days after our receipt of notice of such declaration; 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 later 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. We 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 Directors, Officers, Employees and Stockholders. No director, officer, employee, incorporator or stockholder of ours or any 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 in Terms and Conditions. We may from time to time to vary the terms and conditions of the notes offered by this prospectus, including, but not limited to: minimum initial principal investment amount requirements; maximum aggregate principal amount limits; interest rates; minimum denominations; service and other fees and charges; and redemption provisions. Terms and conditions may be varied by state, locality, principal amount, type of investor — for example, new or current investor — or as otherwise permitted under the indenture governing the securities offered by this prospectus. No change in terms, however, will apply to any notes issued and outstanding.

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.
19500 Jamboree Road
Irvine, California 92612
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. If you are a non-U.S. corporation, that portion of your earnings and profits that is effectively connected with your U.S. trade or business also may be subject to a "branch profits tax" at a 30% rate, although an applicable income tax treaty may provide for lower rate.

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.

New Legislation

On March 18, 2010, the President signed into law the Hiring Incentives to Restore Employment Act of 2010, which imposes a U.S. withholding tax of a 30% rate on interest and proceeds of sale in respect of our notes received by U.S. holders who own their notes through foreign accounts or foreign intermediaries and certain non-U.S. holders if certain due diligence and disclosure requirements related to U.S. accounts or ownership are not satisfied. If payment of withholding taxes is required, non-U.S. holders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding tax with respect to such interest and proceeds will be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. We will not pay any additional amounts in respect of any amounts withheld. These new withholding rules are generally effective for notes issued after March 18, 2012.

For taxable years beginning after December 31, 2012, newly enacted legislation is scheduled to impose a 3.8 percent tax on the "net investment income" of certain individuals, and on the undistributed "net investment income" of certain estates and trusts. Among other items, net investment income generally includes gross income from interest, less certain deductions. Prospective investors are urged to consult with their tax advisors regarding the possible implications of this legislation in their particular circumstances.

PLAN OF DISTRIBUTION

Except as we may otherwise indicate in the applicable prospectus supplement, we will sell these securities directly, without an underwriter or selling agent, and the securities will be sold by our employees who, under Rule 3a4-1(a) of the Exchange Act, are deemed not to be brokers. In accordance with the provisions of Rule 3a4-1(a), our employees who sell securities will not be compensated by commission, will not be associated with any broker or dealer and will limit their activities so that, among other things, they do not engage in oral solicitations of, and comply with certain specified limitations when responding to inquiries from, potential purchasers.

We plan to market the notes directly to the public and to our existing noteholders through newspaper, radio, internet, direct mail and other advertising. We may engage an unaffiliated third party (a "servicing agent") to 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. We may elect to perform these duties ourselves.

We will bear the expenses incurred in connection with the offer and sale of the notes, including document fulfillment expenses, legal and accounting fees, regulatory fees, due diligence expenses and marketing costs. No one will receive a commission based on notes sold or renewed.

We may distribute the notes in one or more transactions: (1) at a fixed price or prices, which may be changed; or (2) at negotiated prices.

We may agree to pay a servicing agent an annual portfolio management fee equal to a percentage of the weighted average principal balance of the notes outstanding for its services as servicing agent. In exchange for the annual portfolio management fee, such a servicing agent would manage specified customer service functions concerning the notes and act as an agent between us and the purchasers of the notes. The annual portfolio management fee also covers costs relating to maintenance of the investor relationship after the purchase of notes. This includes, among other things, addressing ministerial investor inquiries regarding the notes, the preparation of all confirmations, notices and statements, the coordination of interest payments, the establishment and maintenance of records relating to the notes, the preparation of all reports, statements and analyses regarding the notes, and all out-of-pocket expenses for the printing and mailing of confirmations, notices and statements to the investors. 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.

We may engage an advertising and marketing company, not affiliated with us nor with any broker-dealer, to directly provide or manage the advertising and marketing functions related to the sale of the notes. These services may include media planning, media buying, creative and copy development, direct mail services, literature fulfillment, commercial printing, list management, list brokering, advertising consulting, efficiency analyses and other similar activities. If we retain an advertising agent, such agent will be 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.

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. No one is obligated to make a market in the notes, and we do not anticipate that a secondary market for the notes will develop.

We may vary the terms and conditions of the offer by state, locality or as otherwise described under “Description of the Notes – Interest Rate” and “– Variations in Terms and Conditions” in this prospectus. From time to time, we also may vary the terms and conditions of the securities offered by this prospectus depending on such factors as our liquidity requirements, the interest rate environment and other economic conditions.

LEGAL MATTERS

Certain legal matters in connection with the notes will be passed upon for us by Mark Creatura, Esq., Irvine, California.

EXPERTS

The consolidated financial statements of Consumer Portfolio Services, Inc. as of and for the years ended December 31, 2009 and 2008, have been incorporated by reference herein in reliance upon the report of Crowe Horwath 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.

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

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 automobile contracts.

excess spread cash flows — The difference between the cash collected from automobile 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 automobile contracts and (iii) certain other costs incurred in connection with completing and maintaining the securitization or warehousing.

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 automobile contracts over (b) the aggregate outstanding principal amount of the related indebtedness.

securitization or securitized — The process through which automobile 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 automobile 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 automobile 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 automobile 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 automobile 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”, automobile 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 13. 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	\$	3,565
NASD filing fee		none
Accounting fees and expenses		25,000
Blue Sky fees and expenses		50,000
Legal fees and expenses		75,000
Printing expenses		250,000
Trustee's fees and expenses		100,000
Miscellaneous		435
TOTAL	\$	504,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

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.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

On June 30, 2008, the registrant issued and sold its five-year note in the principal amount of \$10 million to Levine Leichtman Capital Partners IV, L.P., an investment partnership. In partial consideration of the purchaser's agreement to purchase that note, the registrant simultaneously issued to the note purchaser (i) 1,225,000 shares of the registrant's common stock, (ii) a warrant to purchase 275,000 shares of the registrant's common stock, at a nominal exercise price, and (iii) a warrant to purchase 1,500,000 shares of the registrant's common stock, at an exercise price of \$2.573 per share. The sale and issuance of such shares and warrants was exempt from registration under the Securities Act of 1933, pursuant to section 4(2) thereof, as a transaction involving a public offering. Such securities were not offered or sold to any person other than the purchaser.

On July 10, 2008, the registrant issued to Citigroup Financial Products, Inc., an affiliate of the holder of certain outstanding notes, then due and payable, a warrant to purchase 2,500,000 shares of the registrant's common stock, at a nominal exercise price. The warrant was issued in consideration of (i) reduction in the balance of such notes and (ii) the agreement of the holder of to extend the term of such notes. The sale and issuance of such warrant was exempt from registration under the Securities Act of 1933, pursuant to section 4(2) thereof, as a transaction not involving a public offering. Such securities were not offered or sold to any persons other than the holder of the notes and its affiliated designee.

On September 25, 2009, the registrant entered into a credit facility pursuant to which it is entitled to receive advances against automobile receivables. The registrant issued to Drawbridge Special Opportunities Fund, L.P., an affiliate of the creditor, a warrant to purchase 1,158,087 shares of the registrant's common stock, at an exercise price of \$0.879 per share. Such warrant was issued in consideration of the creditor's committing to make loans under such credit facility. The sale and issuance of the warrant was exempt from registration under the Securities Act of 1933, pursuant to section 4(2) thereof, as a transaction not involving a public offering. Such securities were not offered or sold to any person other than the issuee and its affiliates.

On March 26, 2010, the registrant entered into a note purchase facility pursuant to which it is entitled to sell notes secured by automobile receivables. The registrant issued to certain of the note purchasers or their designees warrants to purchase an aggregate of 500,000 shares of the registrant's common stock, at an exercise price of \$1.41 per share. Such warrants were issued in consideration of the services of one of the note purchasers in structuring the transaction and identifying note purchasers, and of all of the note purchasers' committing to fund the delayed draw notes issued under such note purchase facility. The sale and issuance of such warrants was exempt from registration under the Securities Act of 1933, pursuant to section 4(2) thereof, as a transaction not involving a public offering. Such securities were not offered or sold to any person other than institutional accredited investors.

Alternative Basis for Exemption

All of the securities issued in the transactions described above were offered and sold exclusively to accredited investors, within the meaning of the Securities Act.

Option Exchange

On December 10, 2009, the registrant issued to 54 of its employees options to purchase an aggregate of 3,960,316 shares of its common stock. All such options were issued in exchange for outstanding options held by the respective recipients of the new options. No person acted as underwriter of the exchange, and no compensation was paid to any person in connection with the exchange. Accordingly, the issuance was exempt from registration under subdivision (a) (9) of section 3 of the Securities Act. The exchange offer was described in a report on Schedule TO filed by the registrant on November 12, 2009.

Continuous Offering of Subordinated Notes

On January 7, 2005, the registrant filed a registration statement on Form S-2 to register the public offering to retail investors of \$100 million of renewable unsecured subordinated notes ("Renewable Notes"). Such registration statement was declared effective on May 12, 2005, and a post-effective amendment to such registration statement, on Form S-3, was declared effective on April 27, 2006. The registrant sold such renewable Notes continuously from and after May 25, 2005, for cash in amounts equal to the principal amount of the respective notes sold, or, upon election by the noteholders, in lieu of payment for maturing notes. Such sales were conducted through Sumner Harrington Ltd., as registrant's selling agent on a best efforts basis. An aggregate of \$62.3 million of such notes were sold. The registrant has been advised that sales pursuant to such registration statement on or after December 1, 2008 could be deemed sales in an unregistered public offering. The dates and amounts of such sales were as follows, in dollars:

	2008	2009	2010
Jan		404,530	989,781
Feb		168,948	302,883
Mar		332,603	935,962
Apr		613,051	1,285,172
May		445,538	681,604
Jun		765,709	817,719
Jul		572,021	685,002
Aug		241,028	
Sep		656,162	
Oct		1,906,701	
Nov		710,713	
Dec	298,277	668,011	

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits. The exhibits listed below are filed as a part of this registration statement. Parenthetical references to other filings refer to filings by the registrant, unless otherwise stated.

<i>Exhibit Number</i>	<i>Description</i>	<i>(“**” indicates compensatory plan or agreement.)</i>
3.1	Restated Articles of Incorporation	(Incorporated by reference to Exhibit 3.1 to Form 10-K filed March 31, 2009)
3.2	Amended and Restated Bylaws	(Incorporated by reference to Exhibit 3.3 to Form 8-K filed July 20, 2009)
4.1	Indenture re Renewable Unsecured Subordinated Notes (“RUS Notes”)	
4.2	Form of RUS Notes (included as Exhibit A to the Indenture filed as Exhibit 4.1)	
5.1	Opinion of Mark Creatura, Esq. with regard to legality of offered notes	
8.1	Opinion of Mark Creatura, Esq. with regard to tax matters (previously filed)	
10.1	1991 Stock Option Plan & forms of Option Agreements thereunder	(Incorporated by reference to Exhibit 10.19 to Form S-2, no. 333-121913) **
10.2	Indenture dated as of May 25, 2005 by and between Consumer Portfolio Services, Inc., as obligor, and Wells Fargo Bank, National Association, as trustee	(Incorporated by reference to Exhibit 4.1 to Form S-2, no 333-121913)
10.3	1997 Long-Term Incentive Stock Plan (“1997 Plan”)	(Incorporated by reference to Exhibit 10.20 to Form S-2, no. 333-121913) **
10.4	Form of Option Agreement under 1997 Plan	(Incorporated by reference to Exhibit 10.2.1 to Form 10-K filed March 13, 2006) **
10.5	2006 Long-Term Equity Incentive Plan as amended to date	(Incorporated by reference to Exhibit A, pp A-1 through A-10, to the registrant’s definitive proxy statement filed June 24, 2009)**
10.5.1	Form of Option Agreement under the 2006 Long-Term Equity Incentive Plan	(Incorporated by reference to Exhibit 10.14.1 to Form 10-K filed March 9, 2007)**

- 10.5.2 Form of Option Agreement under the 2006 Long-Term Equity Incentive Plan (Incorporated by reference to Exhibit 99.(D)(2) to Schedule TO filed November 12, 2009)**
- 10.5.2 Form of Option Agreement under the 2006 Long-Term Equity Incentive Plan (Incorporated by reference to Exhibit 99.(D)(3) to Schedule TO filed November 12, 2009)**
- 10.6 Securities Purchase Agreement between the registrant and Levine Leichtman Capital Partners IV, L. P. ("LLCP"), relating to the sale of an aggregate of \$25 million of Notes. (Incorporated by reference to exhibit 99.2 to Schedule 13D filed by LLC on July 10, 2008)
- 10.6.1 Am. No. 1 dated July 10, 2008 to Securities Purchase Agreement dated June 30, 2008 between the registrant and LLC. (Incorporated by reference to Exhibit 10.15.1 to Form 10-Q filed August 11, 2008)
- 10.7 Registration Rights Agreement between the registrant and LLC. (Incorporated by reference to exhibit 99.6 to Schedule 13D filed by LLC on July 10, 2008)
- 10.8 Investor Rights Agreement between the registrant and LLC. (Incorporated by reference to exhibit 99.7 to Schedule 13D filed by LLC on July 10, 2008)
- 10.9 FMV Warrant dated June 30, 2008, issued to LLC. (Incorporated by reference to the FMV warrant appearing as pages A-1 through A-13 of the preliminary proxy statement filed by the registrant on July 28, 2008.)
- 10.10 N Warrant dated June 30, 2008, issued to LLC. (Incorporated by reference to the N warrant appearing as pages B-1 through B-13 of the preliminary proxy statement filed by the registrant on July 28, 2008.)
- 10.11 Amended and Restated Note Purchase Agreement dated July 10, 2008 among the registrant, its subsidiary Folio Funding II, LLC, and Citigroup Financial Products Inc. (Incorporated by reference to Exhibit 10.20 to Form 10-Q filed August 11, 2008)
- 10.12 Amended and Restated Indenture dated July 10, 2008 among Folio Funding II, LLC, Citigroup Financial Products Inc. and Wells Fargo Bank, N.A. (Incorporated by reference to Exhibit 10.21 to Form 10-Q filed August 11, 2008)
- 10.13 Performance Guaranty dated July 10, 2008 issued by the registrant in favor of Citigroup Financial Products Inc. (Incorporated by reference to Exhibit 10.22 to Form 10-Q filed August 11, 2008)
- 10.14 Warrant dated July 10, 2008, issued to Citigroup Global Markets Inc. (Incorporated by reference to Exhibit 10.23 to Form 10-Q filed August 11, 2008)
- 10.15 Purchase and Sale Agreement re Motor Vehicle Contracts dated as of September 26, 2008 (Incorporated by reference to Exhibit 10.24 to Form 8-K/A filed on November 7, 2008)
- 10.16 Transfer and Servicing Agreement dated as of September 26, 2008 (Incorporated by reference to Exhibit 10.25 to Form 8-K/A filed on November 7, 2008)
- 10.17 Revolving Credit Agreement dated September 25, 2009 among the registrant, its subsidiary Page Four Funding, LLC, and Fortress Credit Corp. ("Fortress") (Incorporated by reference to Exhibit 10.1 to Form 8-K filed October 1, 2009)
- 10.18 Warrant dated September 25, 2009, issued to an affiliate of Fortress. (Incorporated by reference to Exhibit 10.2 to Form 8-K filed October 1, 2009)
- 10.19 Series G Warrant dated March 26, 2010. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed April 1, 2010)
- 14 Registrant's Code of Ethics for Senior Financial Officers (Incorporated by reference to Exhibit 14 to Form 10-K filed March 13, 2006)
- 21 List of subsidiaries of the registrant (Incorporated by reference to Exhibit 21 to Form 10-K filed April 2010)
- 23.1 Consent of Crowe Horwath LLP (filed herewith)
- 25.1 Statement of Eligibility of Trustee. (previously filed)

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 undersigned registrant hereby undertakes:

(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.

(4) [intentionally omitted]

(5) For the purpose of determining any liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

- iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irvine, State of California, on September 24, 2010 .

Consumer Portfolio Services, Inc.

By: /s/ Charles E. Bradley, Jr.
Charles E. Bradley, Jr.
President and Chief
Executive Officer

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

Signature	Title	Date
<u>/s/ Charles E. Bradley, Jr.</u> Charles E. Bradley, Jr.	Chairman of the Board of Directors, President, and Chief Executive Officer (Principal Executive Officer)	September 24, 2010
<u>/s/ Jeffrey P. Fritz</u> Jeffrey P. Fritz	Chief Financial Officer (Principal Financial and Accounting Officer)	September 24, 2010
<u>/s/ Chris A. Adams</u> Chris A. Adams	Director	September 24, 2010
<u>/s/ Brian J. Rayhill</u> Brian J. Rayhill	Director	September 24, 2010
<u>/s/ William B. Roberts</u> William B. Roberts	Director	September 24, 2010
<u>/s/ Gregory S. Washer</u> Gregory S. Washer	Director	September 24, 2010
<u>/s/ Daniel S. Wood</u> Daniel S. Wood	Director	September 24, 2010



INDENTURE

Dated as of September 24, 2010,

by and between

CONSUMER PORTFOLIO SERVICES, INC., as obligor

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

a national banking association, as trustee

\$30,000,000.00

Renewable Unsecured Subordinated Notes

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*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 September 24, 2010 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-1, filed with the Securities and Exchange Commission on August 20, 2010 (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 45 Broadway, 14th Floor, New York, New York 10006, Attention: Consumer Portfolio Services, Inc. Administrator.

“CUSIP” means the Committee on Uniform Securities Identification Procedures.

“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.

“ISIN” means the International Securities Identification Number.

“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, with respect to any Indebtedness, any principal, premium, interest (including Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages and other liabilities or amounts of whatever nature payable under the documentation governing, or with respect to, any such 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 § 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.

“Outstanding Notes” means any notes issued pursuant to that certain indenture dated May 25, 2005 between the Trustee and the Company, to the extent the obligations evidenced by such notes have not been discharged by payment.

“Pari Passu Debt” means any Indebtedness of the Company that is payable on a pari passu basis with the Securities, including without limitation the Outstanding Notes.

“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-Effective Amendment” means any amendment to the Registration Statement filed after the initial date of effectiveness thereof, and any other registration statement filed with respect to the offering of the Securities after the initial date of effectiveness of the Registration Statement.

“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 or Post-Effective Amendment at the time such Registration Statement or Post-Effective Amendment 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 with respect to the Registration Statement or to any Post-Effective Amendment, in either case pursuant to Rule 424 under the Securities Act or to any successor rule of the SEC that permits supplementation or modification of the prospectus included in registration statements 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 interests retained from all such transactions, or securities backed by or representing interests in such residual interests.

“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, including any vice president, assistant vice president, trust officer, assistant trust officer or any other 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.

“Senior Debt” means any Indebtedness other than the Securities and any Pari Passu Debt (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. Without limiting the generality of the foregoing, the term “Senior Debt” shall include any and all Indebtedness and other liabilities and Obligations owed by the Company to Levine Leichtman Capital Partners IV, L.P. (or any of its affiliates) as of the date of this Indenture, and any and all Indebtedness and other liabilities and Obligations owed by the Company to Levine Leichtman Capital Partners IV, L.P. (or any of its affiliates) thereafter, unless such Indebtedness is specifically designated in its defining instruments as not being Senior Debt.

“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 4.4 to the Registration Statement.

“Servicing Agent” means such person or persons as Company may appoint in that capacity, by notice to the Trustee, and, absent any such appointment, shall mean the Company.

“TIA” means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbb) 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 organized and existing under the laws of the United States of America, 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 4.3 to the Registration Statement.

Section 1.2 **Other Definitions.**

<u>Term</u>	<u>Defined in Section</u>
“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 \$30 million, provided, however, that the Company 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 was required but not yet effective, the Company will provide notice to the Holder (including a copy of 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 of 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. Whenever a Person should elect to assign to the Company that Person's right to receive cash in payment of an Outstanding Note, the Company may deem that Person to have remitted good and available funds. 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 or deemed 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 was required but not yet effective (which notice shall be accompanied by a copy of 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 in writing 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 elects to act as the initial Servicing Agent and Registrar and as agent for service of notices and demands in connection with the Securities. The Company 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 Payment Date, 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 § 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 § 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 fully protected in conclusively 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 (as determined by the Company) 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 in writing 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.

Section 2.16 **CUSIP/ISIN Numbers**

The Company in issuing the Notes may use CUSIP and ISIN numbers (in each case, if then generally in use) and, if so, the Trustee shall use CUSIP and ISIN numbers in notices of redemption as a convenience to Holders; provided, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will as promptly as practicable notify the Trustee in writing of any change in the CUSIP and ISIN numbers.

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) Subject to Article X, 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) Subject to Article X, 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 19500 Jamboree Road, Irvine, California 92612, 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 § 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 2011, 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, make s 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.**

[Intentionally Omitted].

Section 4.8 **Restrictions on Dividends.**

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 solely on account of its capital stock 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 Event of Default specified under Section 6.1(a) or (b) then exists or would exist immediately following the declaration or payment of such dividend or other payment.

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 on any Payment Date, and such failure continues for a period of 15 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 60 days after the Company's receipt of written notice of such failure or breach;

(d) the Company defaults in any other payment obligation of the Company (other than a payment obligation relating to a Qualified Sales and Financing Transaction) with an outstanding principal amount in excess of \$1,000,000, such default results in such payment obligation becoming or being declared immediately due and payable and such declaration is not rescinded or annulled within a period of 60 days after the Company's receipt of written notice of such declaration;

(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 clause (c) 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 in writing of the Default and the Company does not cure the Default or such Default is not waived within 60 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, or with respect to, the Senior Debt, such a declaration of acceleration by the Holders shall not become effective until the later 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; and provided, further, that, so long as any Senior Debt is outstanding, any such declaration by the Trustee or the Holders shall not become effective if any period during which the Company is not permitted to make payment on account of the Securities pursuant to Section 10.3 is then in effect. 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 counsel 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 counsel 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 (i) Holders for amounts due and unpaid on the Securities for principal and interest, and (ii) holders of Pari Passu Debt for amounts due and unpaid on such Pari Passu Debt for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities and/or such Pari Passu Debt 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 person would exercise or use under the circumstances in the conduct of such person's 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) 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.

(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 by a court of competent jurisdiction that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable 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 hereof.

(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. 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 and shall be fully protected in acting or refraining from acting 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 a Responsible Officer 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 of its selection and the 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) None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

(g) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(h) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

(i) The Trustee shall not be deemed to owe any fiduciary duty to the holders of Pari Passu indebtedness or senior indebtedness of the Company and shall not be liable to any such holder for any action it takes or omits to take within the rights or powers conferred upon it by this Indenture.

(j) The Trustee shall not be responsible for any costs, expenses, damages or other liabilities arising (directly or indirectly) as a result of (i) any filing of a claim or proof of debt by holders of senior indebtedness (or their representative) or (ii) any right of holders of senior indebtedness (or their Representative) to file any such claim or proof of debt, in any such case in accordance with this Indenture.

(k) 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 an 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 Event of Default within 90 days after it occurs or as soon as practicable after it is known to a Responsible Officer of the Trustee. Except in the case of an 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, 2010 and for so long as the Securities remain outstanding, 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 § 313(a) (but if no event described in TIA § 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 § 313(b). The Trustee shall also transmit by mail all reports as required by TIA § 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 in accordance with TIA § 313(d). The Company shall promptly notify the Trustee in writing if and when the Securities are listed on any stock exchange or the delisting thereof.

Section 7.7 **Compensation and Indemnity.**

(a) The Company shall pay to the Trustee from time to time such compensation for its acceptance of this Indenture and its performance of the duties and services required hereunder as the parties shall agree to in writing from time to time. 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, damages, claims, liabilities or expenses (including attorney's fees and 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. 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 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 or the earlier resignation or removal of the Trustee.

(d) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through its own negligence, or willful misconduct.

(e) To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities 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) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) 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 not less than 30 days prior to the effective date of such removal. The Company may remove the Trustee if:

- (i) the Trustee fails to comply with Section 7.10 hereof;
- (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 (at the Company's expense).

(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, (at the Company's expense) 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 § 310(a)(1) and (2). The Trustee shall be subject to TIA § 310(b).

Section 7.11 **Preferential Collection of Claims Against Company.**

The Trustee shall be subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 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 a reputable 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 and an Opinion of Counsel 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 uncertificated Securities or certificated Securities in excess of an aggregate outstanding principal balance specified in Section 2.1(a) hereof;
- (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 receive 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, at the Company's expense) 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 and other amounts owing with respect to, 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. 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 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) on account of any Securities 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 was required but not yet effective). The holders of the Senior Debt may deliver up to three (3) Payment Notices to the Company and the Trustee in any 360 day period, provided that in no event shall the cumulative Payment Blockage Periods exceed 179 days in a 360 day period.

(b) Subject to the provisions of Sections 6.9 and 10.7, neither the Trustee nor the Holders may take any action to assert, demand, sue for, collect, enforce or realize upon the Securities or the related Obligations or any part thereof in any period during which the Company is not permitted to make payment on account of the Securities pursuant to Section 10.3, unless and only to the extent that the commencement of a legal action may be required to toll the running of any applicable statute of limitations.

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, 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 (at the Company's expense) 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 § 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), telecopier or overnight air courier guaranteeing next day delivery, to the other's address:

If to the Company:

Consumer Portfolio Services, Inc.

19500 Jamboree Road

Irvine, CA 92612

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
45 Broadway, 14th Floor
New York, New York 10006

Attention: Corporate Trust Services

Telecopier: (212) 515-1589

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 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 § 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Trustee shall be subject to § 312(b). The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA § 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 § 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 or trust institutions in the State of New York 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.**

This Indenture may be executed by facsimile and in one or more counterparts, each of which shall be deemed to be an original, but all of which together constitute one and 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.

Section 11.16 **USA Patriot Act**

The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions, and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

Section 11.17 **Force Majeure**

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including without limitation strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services.

*[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: /s/ Mark Creatura
Name: Mark Creatura
Title: Sr. Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association,
as Trustee

By: /s/ Martin Reed
Name: Martin Reed
Title: Vice President

Form of Note

[attached]

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-1 FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION ON OR ABOUT SEPTEMBER 23 2010, 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 \$50,000,000, issued and to be issued under an Indenture, dated as of _____, 2010 (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:



September 24, 2010

Consumer Portfolio Services, Inc.
19500 Jamboree Road
Irvine, California 92612

Re: Registration Statement on Form S-1; Renewable Unsecured Subordinated Notes

I am acting as counsel for Consumer Portfolio Services, Inc., a California corporation (the "Company") in connection with a public offering of \$30,000,000 aggregate principal amount of Renewable Unsecured Subordinated Notes (the "Notes"), to be issued under an indenture (the "Indenture") between the Company and Wells Fargo Bank, National Association (the "Trustee"), dated the date hereof.

This opinion is delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act").

In connection with this opinion, I have examined originals or copies, certified or otherwise identified to my satisfaction, of the following:

- (i) the registration statement of the Company on Form S-1 relating to the Notes, as filed with the Securities and Exchange Commission (the "Commission") on August 20, 2010 under the Securities Act and as amended on September 24, 2010 (such registration statement, as amended, the "Registration Statement");
- (ii) the Indenture, filed as an exhibit to the Registration Statement;
- (iii) the Form T-1 of the Trustee filed as an exhibit to the Registration Statement;
- (iv) the Articles of Incorporation of the Company, as presently in effect, incorporated by reference in the Registration Statement;
- (v) certain resolutions adopted by the Board of Directors of the Company relating to the Notes (the "Resolutions"); and
- (vi) the form of the Notes.

I have also examined originals or copies, certified or otherwise identified to my satisfaction, of such records of the Company and such agreements, certificates of public officials, certificates of officers or other representatives of the Company and others, and such other documents, certificates and records as I have deemed necessary or appropriate as a basis for the opinions set forth herein.

In my examination, I have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity and completeness of all documents submitted as originals, the conformity to original documents of all documents submitted as certified, conformed or photostatic copies and the authenticity of the originals of such latter documents. In making my examination of documents executed or to be executed by the parties thereto, I have assumed that such parties had or will have the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents and the validity and binding effect thereof. I have also assumed that (i) the execution and delivery of the agreements referred to herein, and the performance of the obligations of the parties thereto under such agreements, do not and will not conflict with, contravene, violate or constitute a default under (a) the charter or by-laws or other organizational documents of any such party, (b) any lease, indenture, instrument or other agreement to which any party to such agreements or its property is subject, (c) any law, rule or regulation to which any party to such agreements is subject or (d) any judicial or administrative order or decree of any governmental authority, and (ii) no authorization, consent or other approval of, notice to or registration, recording or filing with any court, governmental authority or regulatory body is required to authorize or is required in connection with the execution or delivery of any of such agreements or the performance of any obligations thereunder or the consummation of any transactions contemplated thereby. As to any facts material to the opinion expressed herein which I have not independently established or verified, I have relied upon statements and representations of officers and other representatives of the Company and others.

Based upon and subject to the foregoing, I am of the opinion that when (i) the Registration Statement becomes effective and the Indenture has been qualified under the Trust Indenture Act of 1939, as amended; (ii) the Indenture has been duly executed and delivered; and (iii) the Notes shall have been duly executed and authenticated in accordance with the terms of the Indenture and delivered to and paid for by the Holders as contemplated by the Registration Statement, then the issuance and sale of the Notes will have been duly authorized, and the Notes will be valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by (1) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereafter in effect, relating to creditors' rights generally, and (2) general principles of equity (regardless of whether enforceability is considered a proceeding at law or in equity).

I hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. I also consent to the reference to me under the heading "Legal Matters" in the Registration Statement. In giving this consent, I do not thereby admit that I am included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/S/ MARK CREATURA

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Amendment No. 1 to the Registration Statement of Consumer Portfolio Services, Inc. on Form S-1 (No. 333-168976) of our report dated April 1, 2010 on the consolidated financial statements of Consumer Portfolio Services, Inc. appearing in the 2009 Form 10-K of Consumer Portfolio Services, Inc., and to the reference to us under the heading "Experts" in the prospectus.

/s/ Crowe Horwath LLP

Costa Mesa, California
September 24, 2010

September 27, 2010

Via EDGAR

Division of Corporation Finance
US Securities and Exchange Commission
Washington, DC 20549
Attention: Michael Seaman, Esq

Re: Consumer Portfolio Services, Inc.
Amendment One to Registration Statement on Form S-1
Filed September 27, 2010
File number 333-168976

Ladies and gentlemen

We have today filed an amendment number one (the "Amendment") to the registration statement identified above (the "Registration Statement"). In the Amendment, we have responded to each of the comments furnished to us by the Division of Corporation Finance by letter dated September 16, 2010.

We review below our responses to those comments, and reproduce the comments for ease of reference.

1. Please remove from registration by means of a post-effective amendment any unsold securities that were registered on the Form S-2 filed on January 7, 2005 (file number 333-121913). Refer to Item 512(a)(3) of Regulation S-K.

We have prepared, and are about to file separately, a post-effective amendment that removes from registration unsold securities that were registered on the identified prior registration statement.

2. Please tell us whether you will file the final indenture as an exhibit to the registration statement prior to effectiveness.

We have filed the final indenture as an exhibit to the Amendment.

3. Please confirm that the offering will commence promptly after effectiveness. In addition, please revise to remove the reference to "from time to time" throughout the prospectus when you are referring to the notes offering, since it appears you intend for this offering to be a continuous offering. Furthermore, please confirm that the amount of securities registered is reasonably expected to be offered and sold within two years from the effective date of the registration statement. Refer to Rule 415(a)(2) promulgated under the Securities Act of 1933.

We hereby confirm that the offering described in the Registration Statement will commence promptly after effectiveness.

We have removed from the prospectus included within the Amendment any reference to the notes being sold "from time to time."

Upon further consideration, we have concluded that the appropriate amount of notes to register is \$30 million. We hereby confirm that we reasonably expect to sell \$30 million of renewable unsecured subordinated notes within two years following effectiveness of the Registration Statement.

4. We note your disclosure throughout the prospectus that you are currently contractually prohibited from repurchasing notes. Please revise the prospectus to specifically describe the contract(s) and contractual provision(s) that prohibit repurchases.

We have revised the prospectus at page 27 to describe specifically the restriction on repurchases of Notes, under the caption "Description of the Notes - Redemption or Repurchase Prior to Stated Maturity - Repurchase at Request of Holder." The other references to such contractual restriction now include cross-references to that description. We omit the cross-reference from the cover page.

Prospectus cover page

5. We note that you intend to issue three and six months and one, two, three, four, five and ten year renewable unsecured subordinated notes. Please revise to identify the maximum aggregate principal amount of each type of note that will be issued. Further, please revise to clarify that if interest rates are changed, the new interest rates and effective dates will be set forth in supplements to the prospectus and that any change will not affect the interest rate on a note purchased prior to the effective date of such change.

The terms of the offered notes will be substantially identical except for their maturity dates and interest rates. It is impracticable for the registrant to identify the maximum aggregate principal amount of each maturity date of notes that will be issued since that will depend upon market conditions and investor demand at the time of offering. The cover page of the prospectus does disclose the title and maximum amount of securities to be offered in accordance with the requirements of Item 501 of Regulation S-K.

We have revised the cover page to state that the interest rates will be specified in prospectus supplements and that any change will not affect the interest rate on a previously sold note.

Summary

General

6. We note that you have incurred a net loss in each quarter since 2008. Please revise the summary section to disclose this fact. Please also revise to disclose whether you expect to generate net income in the near future.

We have added prominent disclosure in the Summary section of our recent history of losses. That disclosure includes our statement that we expect to return to profitability within the calendar year 2011.

We have added a corresponding Risk Factor on page 11.

Incorporation of certain information by reference, page 5

7. Please revise to indicate that you will provide without charge copies of all exhibits that are specifically incorporated by reference to a filing. See Note to Item 12(b)(1) of Form S-1.

We have modified our language on page five of the prospectus to make clear that we will provide, free of charge, copies of any exhibits that are specifically incorporated by reference into a filing that is incorporated by reference into this Form S-1.

Risk factors

Risks related to CPS, page 10

8. Tell us how you concluded that you are able to incorporate risk factors by reference.

We believe we are able to incorporate risk factors by reference based on instruction VII to Form S-1, which seems to apply equally to risk factors as to any other information concerning the registrant. Nevertheless, because the risk factors that we have set forth in full in the Prospectus include all of the risk factor disclosure that we sought to incorporate by reference, we have removed from the Amendment the statement that we are incorporating risk factors by reference.

Recent developments, page 18

9. We note the disclosure in the Form 8-K filed August 30, 2010 relating to the notice of delisting from NASDAQ. Please include similar disclosure in your registration statement. We note that the Form 8-K is incorporated by reference into the prospectus.

We have included the suggested additional disclosure, at page 18.

Waivers and amendments of financial and performance covenants, page 18

10. Please expand your disclosure to specifically describe and quantify the financial covenants with which you are or were not in compliance during 2009 and 2010.

We have included the suggested additional disclosure, at page 19. Each of the financial covenants for which we required waivers as of June 30, 2010 is now separately disclosed in a table. The standards against which we are measured are quantified, as are the corresponding noncompliant levels which required such waivers.

Exhibit 5.1

11. In the opinion, counsel indicates that he has examined the supplement to the indenture filed as an exhibit to the registration statement. We note that no indenture supplement has been filed as an exhibit to the registration statement. Please explain. We also note that the legal opinion is signed and dated and appears to be a "final" opinion.

There is no supplement to the final Indenture. A revised and corrected Exhibit 5 opinion is filed with the Amendment.

* * * *

We confirm our understanding that the company and its management are responsible for the accuracy and adequacy of the disclosures included in the Registration Statement.

We plan to request acceleration of the effectiveness of the registration statement as soon as such a request can reasonably be accommodated.

Very truly yours,

Mark Creatura
for
Consumer Portfolio Services, Inc.

