UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

Commission file number: 0-51027

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

California	33-0459135
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
16355 Laguna Canyon Road, Irvine, California	92618
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, Including Area Code: (949) 753-6800

Former name, former address and former fiscal year, if changed since last report: N/A

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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 definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [ ] Accelerated Filer [X]
Non-Accelerated Filer [ ] Smaller Reporting Company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of July 31, 2008 the registrant had 19,698,001 common shares outstanding.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
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For the Quarterly Period Ended June 30, 2008

Item 1. Financial Statements

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	June 30, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents	$ 21,799	$ 20,880
Restricted cash and equivalents	177,716	170,341
Finance receivables	1,915,351	2,068,004
Less: Allowance for finance credit losses	(88,610)	(100,138)
Finance receivables, net	1,826,741	1,967,866
Furniture and equipment, net	1,319	1,500
Deferred financing costs, net	13,636	15,482
Deferred tax assets, net	58,845	58,835
Accrued interest receivable	20,053	24,099
Other assets	23,708	23,810
	$ 2,143,817	$ 2,282,813
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 24,344	$ 18,391
Warehouse lines of credit	148,052	235,925
Income taxes payable	20,181	17,706
Residual interest financing	86,836	70,000
Securitization trust debt	1,712,164	1,798,302
Senior secured debt, related party	5,693	--
Subordinated renewable notes	28,775	28,134
	2,026,045	2,168,458
COMMITMENTS AND CONTINGENCIES		
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	--	--
Common stock, no par value; authorized 30,000,000 shares; 19,852,266 and 19,525,042 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	55,030	55,216
Additional paid in capital, warrants	794	794
Retained earnings	64,397	60,794
Accumulated other comprehensive loss	(2,449)	(2,449)
	117,772	114,355
	$ 2,143,817	$ 2,282,813

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues:				
Interest income	$ 94,856	$ 89,448	$194,218	$169,938
Servicing fees	280	113	708	395
Other income	3,645	6,239	7,156	11,961
	98,781	95,800	202,082	182,294
Expenses:				
Employee costs	12,886	11,335	26,368	22,139
General and administrative	7,574	6,082	14,921	12,051
Interest	40,955	32,992	79,989	61,637
Interest, related party	--	722	--	1,581
Provision for credit losses	30,894	32,670	65,803	62,159
Marketing	2,622	4,705	6,242	8,925
Occupancy	1,043	934	2,039	1,865
Depreciation and amortization	98	123	237	290
	96,072	89,563	195,599	170,647
Income before income tax expense	2,709	6,237	6,483	11,647
Income tax expense	1,220	2,749	2,880	4,928
Net income	$ 1,489	$ 3,488	$ 3,603	$ 6,719
Earnings per share:				
Basic	$ 0.08	$ 0.16	$ 0.19	$ 0.31
Diluted	0.08	0.15	0.18	0.29
Number of shares used in computing earnings per share:				
Basic	18,830	21,539	19,063	21,533
Diluted	19,411	23,405	19,692	23,562

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net income	$ 3,603	$ 6,719
Adjustments to reconcile net income to net cash provided by operating activities:		
Write up on residual asset	(125)	(3,620)
Amortization of deferred acquisition fees	(8,572)	(7,002)
Amortization of discount on Class B Notes	5,845	2,218
Depreciation and amortization	237	290
Amortization of deferred financing costs	5,047	4,378
Provision for credit losses	65,803	62,159
Stock-based compensation expense	654	488
Interest income on residual assets	(358)	(1,686)
Changes in assets and liabilities:		
Accrued interest receivable	4,046	(2,694)
Other assets	586	2,814
Tax assets	(10)	(1,207)
Accounts payable and accrued expenses	4,846	2,029
Tax liabilities	2,474	2,839
Net cash provided by operating activities	84,076	67,725
Cash flows from investing activities:		
Purchases of finance receivables held for investment	(255,924)	(676,303)
Proceeds received on finance receivables held for investment	339,818	278,655
Increases in restricted cash and equivalents	(7,375)	(54,326)
Purchase of furniture and equipment	(57)	(479)
Net cash provided by (used in) investing activities	76,462	(452,453)
Cash flows from financing activities:		
Proceeds from issuance of securitization trust debt	285,389	709,171
Proceeds from issuance of subordinated renewable notes	2,982	7,271
Proceeds from issuance of senior secured debt, related party	10,000	
Payments on subordinated renewable notes	(2,341)	(1,079)
Net proceeds from warehouse lines of credit	(87,872)	6,773
Proceeds (repayment) of residual interest financing debt	16,836	(3,504)
Repayment of securitization trust debt	(377,370)	(316,750)
Repayment of senior secured debt, related party	--	(10,000)
Payment of financing costs	(4,602)	(7,270)
Repurchase of common stock	(2,719)	(1,549)
Tax benefit from exercise of stock options	--	167
Exercise of options and warrants	78	720
Net cash provided by (used in) financing activities	(159,619)	383,950
Increase (decrease) in cash and cash equivalents	919	(778)
Cash and cash equivalents at beginning of period	20,880	14,215
Cash and cash equivalents at end of period	$ 21,799	$ 13,437
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 69,104	$ 55,558
Income taxes	$ 416	$ 3,129
Non cash financing activities:		
Common stock issued in connection with new senior secured debt, related party	$ 1,801	$ --
Warrants issued in connection with new senior secured debt, related party	$ 1,107	$ --

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

We were formed in California on March 8, 1991. We specialize in purchasing and servicing retail automobile installment sale contracts ("automobile contracts" or "finance receivables") originated by licensed motor vehicle dealers located throughout the United States ("dealers") in the sale of new and used automobiles, light trucks and passenger vans. Through our purchases, we provide indirect financing to dealer customers for borrowers with limited credit histories, low incomes or past credit problems ("sub-prime customers"). We serve as an alternative source of financing for dealers, allowing sales to customers who otherwise might not be able to obtain financing. 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) began lending money directly to consumers for an immaterial amount of vehicle purchase money loans. In this report, we refer to all of such contracts and loans as "automobile contracts."

BASIS OF PRESENTATION

Our Unaudited Condensed Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America, with the instructions to Form 10-Q and with Article 10 of Regulation S-X of the Securities and Exchange Commission, and include all adjustments that are, in our opinion, necessary for a fair presentation of the results for the interim period presented. All such adjustments are, in our opinion, of a normal recurring nature. In addition, certain items in prior period financial statements may have been reclassified for comparability to current period presentation. Results for the six-month period ended June 30, 2008 are not necessarily indicative of the operating results to be expected for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from these Unaudited Condensed Consolidated Financial Statements. These Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

OTHER INCOME

Other income consists primarily of gains recognized on our Residual interest in securitizations, recoveries on previously charged off CPS and MFN contracts, convenience fees charged to obligors for certain types of payment transaction methods and fees paid to us by dealers for certain direct mail services we provide. The gain recognized related to the residual interest was $125,000 and $3.6 million for the six months ended June 30, 2008 and 2007, respectively. The recoveries on the charged-off CPS and MFN contracts were $1.2 million and $1.7 million for the six months ended June 30, 2008 and 2007, respectively. The convenience fees charged to obligors, which can be expected to increase or decrease in conjunction with increases or decreases in our managed portfolio, were $2.8 million and $1.4 million for the same periods, respectively. The direct mail revenues were $2.7 million and $2.6 million for the six months ended June 30, 2008 and 2007, respectively. In addition, other income for the six months ended June 30, 2007 included $1.7 million in proceeds from the sale of previously charged-off receivables to independent third parties. There were no similar sales of charged-off receivables in 2008.

STOCK-BASED COMPENSATION

We recognize compensation costs in the financial statements for all share-based payments granted subsequent to January 1, 2006 based on the grant date fair value estimated in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment, revised 2004" ("SFAS 123R").

For the six months ended June 30, 2008, we recorded stock-based compensation costs in the amount of $654,000. As of June 30, 2008, unrecognized stock-based compensation costs to be recognized over future periods equaled $4.3 million. This amount will be recognized as expense over a weighted-average period of 3.8 years.

The following represents stock option activity for the six months ended June 30, 2008:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Options outstanding at the beginning of period ...	6,196	$ 4.47	N/A
Granted ...	565	3.18	N/A
Exercised ...	(27)	1.50	N/A
Forefeited ...	(104)	5.59	N/A
Options outstanding at the end of period ...	6,630	$ 4.36	6.64 years
Options exercisable at the end of period ...	4,466	$ 3.84	5.91 years

At June 30, 2008, the aggregate intrinsic value of in-the-money options outstanding and exercisable was $10,000. The total intrinsic value of options exercised was $32,000 and $746,000 for the six months ended June 30, 2008 and 2007, respectively. New shares were issued for all options exercised during the six-month periods ended June 30, 2008 and 2007. At our annual meeting of shareholders held on June 4, 2008, the shareholders approved an amendment to our 2006 Long-Term Equity Incentive Plan that increased the number of shares issuable from 3,000,000 to 5,000,000. There were 2,255,000 shares available for future stock option grants under existing plans as of June 30, 2008.

We use the Black-Scholes option valuation model to estimate the fair value of each option on the date of grant, using the assumptions noted in the following table. The expected term of options granted is computed as the mid-point between the vesting date and the end of the contractual term. The risk-free rate is based on U.S. Treasury instruments in effect at the time of grant whose terms are consistent with the expected term of our stock options. Expected volatility is based on historical volatility of our stock. The dividend yield is based on historical experience and the lack of any expected future changes.

	Six Months Ended June 30, 2008
Risk-free interest rate ...	3.22%
Expected term, in years ...	6.0
Expected volatility ...	48.92%
Dividend yield ...	0%

PURCHASES OF COMPANY STOCK

During the six-month periods ended June 30, 2008 and 2007, we purchased 925,276 and 247,605 shares, respectively, of our common stock, at average prices of $2.94 and $6.26, respectively.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. In February 2008, the FASB issued FASB Staff Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157", to partially defer FASB Statement No. 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS 157 is effective for us on January 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis for which our effective date is January 1, 2009. The adoption of this statement did not have a material effect on our financial position or results of operations.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115. SFAS 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS 159 are elective, however, the amendment to SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available for sale or trading securities. SFAS 159 is elective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We are currently assessing this Statement to determine whether or not we would elect to measure any financial instruments acquired upon adoption of this statement at their fair value.

RECENT DEVELOPMENTS

UNCERTAINTY OF CAPITAL MARKETS

We are dependent upon the continued availability of warehouse credit facilities and access to long-term financing through the issuance of asset-backed securities collateralized by our automobile contracts. Since 1994, we have completed 48 term securitizations comprising approximately $6.4 billion in contracts. We conducted four term securitizations in 2006, four in 2007, and one in 2008. However, 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, increased financial guaranty premiums and reduced demand for asset-backed securities, including for securities carrying a financial guaranty and for securities backed by sub-prime automobile receivables. We believe that these adverse changes in the capital markets are primarily the result of widespread defaults of sub-prime mortgages securing a variety of term securitizations and related financial instruments, including instruments carrying financial guarantees similar to those we typically obtain for our own term securitizations.

The terms of our most recent securitization, completed in April 2008, required substantially greater credit enhancement than recent past securitizations, including a larger spread account and a greater portion of subordinated bonds. Greater credit enhancement requirements reduce the amount of cash available to us, both at inception of the securitization, and over the life of the transaction. Moreover, the recently completed securitization resulted in significantly higher costs to us in the form of higher premiums for financial guaranty insurance, higher interest rates paid on bonds sold by the securitization trust and greater discounts given to purchasers of such bonds. Due to current conditions in the capital markets, we believe that any additional securitization transactions that we may execute during 2008 are likely to be structured to include similar credit enhancement levels and result in similar costs to the recently completed transaction.

The adverse changes that have taken place in the market to date have caused us to curtail our purchases of automobile contracts in order to extend the time when our warehousing financing capacity would require us to conduct a term securitization. If the current adverse circumstances that have affected the capital markets should worsen such that we are precluded from completing a future securitization of our receivables, we may exhaust the capacity of our warehouse credit facilities which would cause us to further curtail or cease our purchases of new automobile contracts. Further adverse changes in the capital markets might result in our inability to securitize automobile contracts, which could lead to a material adverse effect on our operations.

Although we believe that such reductions in contract purchases would allow us to continue operations, such reductions have resulted in a decrease in the size of our portfolio of automobile contracts. A continuing decrease in portfolio size could have a material adverse effect on our cash flows and results of operations. However, continuing cashflows otherwise available to us would be sufficient to meet our remaining operating needs in the near term.

(2) FINANCE RECEIVABLES

The following table presents the components of Finance Receivables, net of unearned interest and deferred acquisition fees and originations costs:

	June 30, 2008	December 31, 2007
Finance Receivables	(In thousands)	
Automobile finance receivables, net of unearned interest	1,940,013	2,091,892
Less: Unearned acquisition fees and originations costs ...	(24,662)	(23,888)
Finance Receivables	$ 1,915,351	$ 2,068,004

The following table presents a summary of the activity for the allowance for credit losses for the six-month periods ended June 30, 2008 and 2007:

	June 30, 2008	June 30, 2007
	(In thousands)	
Balance at beginning of period	$ 100,138	$ 79,380
Provision for credit losses on finance receivables ...	65,803	62,159
Charge offs	(93,671)	(56,339)
Recoveries	16,340	10,397
Balance at end of period	$ 88,610	$ 95,597

Excluded from finance receivables are contracts that were previously classified as finance receivables but were reclassified as other assets because we have repossessed the vehicle securing the contract. The following table presents a summary of such repossessed inventory together with the adjustment for losses in repossessed inventory that is not included in the allowance for credit losses. This adjustment results in the repossessed inventory being valued at the estimated fair value less selling costs.

	June 30, 2008	June 30, 2007
	(In thousands)	
Gross balance of repossessions in inventory	$ 39,350	$ 24,606
Adjustment for losses on repossessed inventory	(26,903)	(15,383)
Net repossessed inventory included in other assets	$ 12,447	$ 9,223

(3) SECURITIZATION TRUST DEBT

We have completed a number of securitization transactions that are structured as secured borrowings for financial accounting purposes. The debt issued in these transactions is shown on our Unaudited Condensed Consolidated Balance Sheets as "Securitization trust debt," and the components of such debt are summarized in the following table:

Series	Final Scheduled Payment Date (1)	Receivables Pledged at June 30, 2008	Initial Principal	Outstanding Principal at June 30, 2008	Outstanding Principal at December 31, 2007	Weighted Average Contractual Interest Rate at June 30, 2008
		(Dollars in thousands)				
CPS 2003-C	March 2010	$ 2,699	$ 87,500	$ 2,822	$ 5,683	3.57%
CPS 2003-D	October 2010	3,737	75,000	3,758	6,695	3.91%
CPS 2004-A	October 2010	5,882	82,094	6,071	9,849	4.32%
CPS 2004-B	February 2011	9,521	96,369	9,814	14,937	4.17%
CPS 2004-C	April 2011	12,396	100,000	12,644	18,763	4.24%
CPS 2004-D	December 2011	18,142	120,000	18,199	25,994	4.44%
CPS 2005-A	October 2011	26,276	137,500	24,633	34,154	5.30%
CPS 2005-B	February 2012	31,604	130,625	29,674	39,008	4.67%
CPS 2005-C	March 2012	54,216	183,300	50,955	67,834	5.14%
CPS 2005-TFC	July 2012	17,994	72,525	17,426	24,654	5.76%
CPS 2005-D	July 2012	48,132	145,000	47,430	61,857	5.69%
CPS 2006-A	November 2012	95,634	245,000	94,292	120,667	5.32%
CPS 2006-B	January 2013	117,033	257,500	114,540	144,941	6.30%
CPS 2006-C	June 2013	128,848	247,500	126,771	159,308	5.60%
CPS 2006-D	August 2013	131,947	220,000	128,958	159,384	5.57%
CPS 2007-A	November 2013	197,849	290,000	191,973	233,092	5.55%
CPS 2007-TFC	December 2013	65,760	113,293	64,813	84,685	5.79%
CPS 2007-B	January 2014	238,345	314,999	232,649	277,878	5.98%
CPS 2007-C	May 2014	275,070	327,498	267,988	308,919	6.02%
CPS 2008-A	October 1, 2014	293,193	310,359	266,754	n/a	6.63%
		$ 1,774,278	$ 3,556,062	$ 1,712,164	$ 1,798,302	

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(1) THE FINAL SCHEDULED PAYMENT DATE REPRESENTS FINAL LEGAL MATURITY OF THE SECURITIZATION TRUST DEBT. SECURITIZATION TRUST DEBT IS EXPECTED TO BECOME DUE AND TO BE PAID PRIOR TO THOSE DATES, BASED ON AMORTIZATION OF THE FINANCE RECEIVABLES PLEDGED TO THE TRUSTS. EXPECTED PAYMENTS, WHICH WILL DEPEND ON THE PERFORMANCE OF SUCH RECEIVABLES, AS TO WHICH THERE CAN BE NO ASSURANCE, ARE $374.2 MILLION IN 2008, $626.4 MILLION IN 2009, $396.3 MILLION IN 2010, $220.7 MILLION IN 2011, $83.5 MILLION IN 2012 AND $11.1 MILLION IN 2013.

All of the securitization trust debt was sold in private placement transactions to qualified institutional buyers. The debt was issued through our wholly-owned bankruptcy remote subsidiaries and is secured by the assets of such subsidiaries, but not by our other assets. Principal of $1.5 billion, and the related interest payments, are guaranteed by financial guaranty insurance policies issued by third party financial institutions.

The terms of the various securitization agreements related to the issuance of the securitization trust debt and the warehouse credit facilities require that certain delinquency and credit loss criteria be met with respect to the collateral pool, and require that we maintain minimum levels of liquidity and net worth and not exceed maximum leverage levels and maximum financial losses. In addition, certain securitization and non-securitization related debt contain cross-default provisions, which would allow certain creditors to declare a default if a default were declared under a different facility. As of June 30, 2008, we were in compliance with all such financial covenants.

We are responsible for the administration and collection of the automobile contracts. The securitization agreements also require certain funds be held in restricted cash accounts to provide additional collateral for the borrowings or to be applied to make payments on the securitization trust debt. As of June 30, 2008, restricted cash under the various agreements totaled approximately $177.7 million. Interest expense on the securitization trust debt is composed of the stated rate of interest plus amortization of additional costs of borrowing. Additional costs of borrowing include facility fees, insurance and amortization of deferred financing costs and discounts on notes sold. Deferred financing costs and discounts on notes sold related to the securitization trust debt are amortized using a level yield method. Accordingly, the effective cost of borrowing of the securitization trust debt is greater than the stated rate of interest.

Our wholly-owned, bankruptcy remote subsidiaries were formed to facilitate the above asset-backed financing transactions. Similar bankruptcy remote subsidiaries issue the debt outstanding under our warehouse lines of credit. Bankruptcy remote refers to a legal structure in which it is expected that the applicable entity would not be included in any bankruptcy filing by its parent or affiliates. All of the assets of these subsidiaries have been pledged as collateral for the related debt. All such transactions, treated as secured financings for accounting and tax purposes, are treated as sales for all other purposes, including legal and bankruptcy purposes. None of the assets of these subsidiaries are available to pay other creditors of ours.

(4) INTEREST INCOME

The following table presents the components of interest income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Interest on Finance Receivables	$ 93,732	$ 86,560	$191,474	$163,768
Residual interest income	162	740	359	1,686
Other interest income	962	2,148	2,385	4,484
Net interest income	$ 94,856	$ 89,448	$194,218	$169,938

(5) EARNINGS PER SHARE

Earnings per share for the six-month periods ended June 30, 2008 and 2007 were calculated using the weighted average number of shares outstanding for the related period. The following table reconciles the number of shares used in the computations of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2008 and 2007:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
Weighted average number of common shares outstanding during the period used to compute basic earnings per share	18,830	21,539	19,063	21,533
Incremental common shares attributable to exercise of outstanding options and warrants	581	1,866	629	2,029
Weighted average number of common shares used to compute diluted earnings per share	19,411	23,405	19,692	23,562

(6) INCOME TAXES

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. We are subject to the provisions of FIN 48 as of January 1, 2007, and have analyzed filing positions in all of the federal and state jurisdictions. As a result of adoption, we recognized a charge of approximately $1.1 million to the January 1, 2007 retained earnings balance. As of the date of adoption and after the effect of recognizing the increase in liability noted above, our gross unrecognized tax benefits totaled $11.6 million. Included in the balance at January 1, 2007, are $1.3 million of unrecognized tax benefits, the disallowance of which would not affect the annual effective income tax rate.

We file numerous consolidated and separate income tax returns in the United States Federal jurisdiction and in many state jurisdictions. With few exceptions, we are no longer subject to US Federal income tax examinations for years before 2003 and are no longer subject to state and local income tax examinations by tax authorities for years before 2002.

We have subsidiaries in various states that are currently under audit for years ranging from 1998 through 2005. To date, no material adjustments have been proposed as a result of these audits.

We recognize potential interest and penalties related to unrecognized tax benefits in income tax expense. In conjunction with the adoption of FIN 48 on January 1, 2007, we recognized approximately $230,000 for interest and penalties which is included as a component of the $11.6 million gross unrecognized tax benefits noted above. During the six months ended June 30, 2008, we did not recognize a significant amount of potential interest and penalties. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

We do not anticipate that total unrecognized tax benefits will significantly change due to the settlement of audits and the expiration of statute of limitations prior to September 30, 2008.

(7) LEGAL PROCEEDINGS

STANWICH LITIGATION. We were for some time a defendant in a class action (the "Stanwich Case") brought in the California Superior Court, Los Angeles County. The original plaintiffs in that case were persons entitled to receive regular payments (the "Settlement Payments") under out-of-court settlements reached with third party defendants. Stanwich Financial Services Corp. ("Stanwich"), an affiliate of our former chairman of the board of directors, is the entity that was obligated to pay the Settlement Payments. Stanwich had defaulted on its payment obligations to the plaintiffs and in June 2001 filed for reorganization under the Bankruptcy Code, in the federal Bankruptcy Court of Connecticut. By February 2005, we had settled all claims brought against us in the Stanwich Case.

In November 2001, one of the defendants in the Stanwich Case, Jonathan Pardee, asserted claims for indemnity against us in a separate action, which is now pending in federal district court in Rhode Island. We have filed counterclaims in the Rhode Island federal court against Mr. Pardee, and have filed a separate action against Mr. Pardee's Rhode Island attorneys, in the same court. Each of these actions in the court in Rhode Island is stayed, awaiting resolution of an adversary action brought against Mr. Pardee in the bankruptcy court, which is hearing the bankruptcy of Stanwich.

We have reached an agreement in principle with the representative of creditors in the Stanwich bankruptcy to resolve the adversary action. Under the agreement in principle, we would pay the bankruptcy estate $625,000 and abandon our claims against the estate, while the estate would abandon its adversary action against Mr. Pardee. The bankruptcy court has rejected that proposed settlement, and the representative of creditors has appealed that rejection. If the agreement in principle were to be approved upon appeal, we would expect that the agreement would result in (i) limitation of our exposure to Mr. Pardee to no more than some portion of his attorneys fees incurred and (ii) the stays in Rhode Island being lifted, causing those cases to become active again. We are unable to predict whether the ruling of the bankruptcy court will be sustained or reversed on appeal. There can be no assurance as to the ultimate outcome of these matters.

The reader should consider that any adverse judgment against us in these cases for indemnification, in an amount materially in excess of any liability already recorded in respect thereof, could have a material adverse effect on our financial position.

OTHER LITIGATION. In December 2006 an individual resident of Ohio, Agborebot Bate-Eya, filed a purported class counterclaim to a collection lawsuit brought by SeaWest Financial Corp. ("SeaWest") in Ohio state court. The counterclaim alleged that a form notice sent by SeaWest to counterplaintiff in December 2000, and used then and at other times, was not compliant with Ohio law. In August 2007, the counterplaintiff added us as an additional defendant, noting that we in April 2004 had purchased from SeaWest a number of consumer receivables, including that of the counterplaintiff. We filed a motion to dismiss the counterclaim, which has been granted. All claims against us have been dismissed with prejudice.

We have recorded a liability as of June 30, 2008 that we believe represents a sufficient allowance for legal contingencies, including those described above. Any adverse judgment against us, if in an amount materially in excess of the recorded liability, could have a material adverse effect on our financial position.

We are routinely involved in various legal proceedings resulting from our consumer finance activities and practices, both continuing and discontinued. We believe that there are substantive legal defenses to such claims, and intend to defend them vigorously. There can be no assurance, however, as to the outcome.

(8) EMPLOYEE BENEFITS

We sponsor the MFN Financial Corporation Benefit Plan (the "Plan"). Plan benefits were frozen September 30, 2001. The table below sets forth the Plan's net periodic benefit cost for the three-month and six-month periods ended June 30, 2008 and 2007.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
Components of net periodic cost (benefit)				
Service cost	$ --	$ --	$ --	$ --
Interest Cost	236	223	473	446
Expected return on assets	(305)	(327)	(610)	(654)
Amortization of transition (asset)/obligation	--	(3)	--	(5)
Amortization of net (gain) / loss	41	20	82	39
Net periodic cost (benefit)	$ (28)	$ (87)	$ (55)	$ (174)

We did not make any contributions to the Plan during the six-month period ended June 30, 2008 and we do not anticipate making any contributions for the remainder of 2008.

(9) COMPREHENSIVE INCOME

The components of comprehensive income are as follows:

	Three Months Ended June 30, (In thousands)		Six Months Ended June 30, (In thousands)	
	2008	2007	2008	2007
Net income	$ 1,489	3,488	$ 3,603	$ 6,719
Minimum pension liability, net of tax	--	--	--	--
Comprehensive income	$ 1,489	$ 3,488	$ 3,603	$ 6,719

(10) SUBSEQUENT EVENT

In July 2007, we established a combination term and revolving residual credit facility and used a portion of our initial draw under that facility to repay our remaining outstanding debt under the December 2006 $35 million residual facility.

Under the combination term and revolving residual credit facility, we have used and intend to use eligible residual interests in securitizations as collateral for floating rate borrowings. The amount that we were able to borrow was computed using an agreed valuation methodology of the residuals, subject to an overall maximum principal amount of $120 million, represented by (i) a $60 million Class A-1 variable funding note (the "revolving note"), and (ii) a $60 million Class A-2 term note (the "term note"). The term note was fully drawn in July 2007 and was due in July 2009. As of June 30, 2008, we had drawn $26.8 million on the revolving note. The facility's revolving feature expired in July 2008. On July 10, 2008 we amended the terms of the combination term and revolving residual credit facility, (i) eliminating the revolving feature and increasing the interest rate, (ii) consolidating the amounts then owing on the Class A-1 note with the Class A-2 note, (iii) establishing an amortization schedule for principal reductions on the Class A-2 note, and (iv) providing for

an extension, at our option if certain conditions are met, of the Class A-2 note maturity from June 2009 to June 2010. In conjunction with the amendment, we reduced the principal amount outstanding to $70,000,000, by delivering to the lender (i) warrants valued as being equivalent to 2,500,000 common shares, or $4,071,429 and (ii) cash of $12,765,244. The warrants represent the right to purchase 2,500,000 CPS common shares at a nominal exercise price, at any time prior to July 10, 2018.

On June 30, 2008, we entered into a series of agreements pursuant to which a lender purchased a $10 million five-year, fixed rate, senior secured note issued by the Company. The indebtedness is secured by substantially all of the Company's assets, though not by the assets of the Company's special-purpose financing subsidiaries. In July 2008, in conjunction with the amendment of the combination term and revolving residual credit facility as discussed above, the lender purchased an additional $15 million note with substantially the same terms as the $10 million note. Pursuant to the June 30, 2008 securities purchase agreement, we issued to the lender 1,225,000 shares of common stock. In addition, we issued the lender two warrants: (i) warrants that we refer to as the FMV Warrants, which, upon the approval of our shareholders, would become exercisable for up to 1,500,000 shares of our common stock, at a then-exercise price of $2.573 per share, and (ii) warrants that we refer to as the N Warrants, exercisable upon the approval of our shareholders for up to 275,000 shares of our common stock, at a nominal exercise price. Both the FMV Warrants and the N Warrants are exercisable in whole or in part and at any time up to and including June 30, 2018, to the extent permitted by applicable law and regulation. We valued the warrants using the Black-Scholes valuation model and have recorded their value as a liability on our balance sheet since the terms of the warrants also include a provision whereby the lender may require us to purchase the warrants for cash.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a specialty finance company engaged in purchasing and servicing new and used retail automobile contracts originated primarily by franchised automobile dealerships and, to a lesser extent, by select independent dealers of used automobiles in the United States. We serve as an alternative source of financing for dealers, facilitating sales to sub-prime customers, who have limited credit history, low income or past credit problems and who otherwise might not be able to obtain financing from traditional sources. In addition to purchasing installment purchase contracts directly from dealers, we have also (i) acquired installment purchase contracts in three merger and acquisition transactions described below, (ii) purchased immaterial amounts of vehicle purchase money loans from non-affiliated lenders, and (iii) began lending money directly to consumers for an immaterial amount of vehicle purchase money loans. In this report, we refer to all of such contracts and loans as "automobile contracts." We are headquartered in Irvine, California and have three additional strategically located servicing branches in Virginia, Florida and Illinois.

On March 8, 2002, we acquired MFN Financial Corporation and its subsidiaries in a merger. On May 20, 2003, we acquired TFC Enterprises, Inc. and its subsidiaries in a second merger. Each merger was accounted for as a purchase. MFN Financial Corporation and its subsidiaries and TFC Enterprises, Inc. and its subsidiaries were engaged in businesses similar to ours: buying automobile contracts from dealers and servicing those automobile contracts. MFN Financial Corporation and its subsidiaries ceased acquiring automobile contracts in May 2002; we suspended purchases of automobile contracts under our "TFC programs" in July 2008.

On April 2, 2004, we purchased a portfolio of automobile contracts and certain other assets from SeaWest Financial Corporation and its subsidiaries. In addition, we were named the successor servicer of three term securitization transactions originally sponsored by SeaWest. We do not intend to offer financing programs similar to those previously offered by SeaWest.

SECURITIZATION AND WAREHOUSE CREDIT FACILITIES

Throughout the period for which information is presented in this report, we have purchased automobile contracts with the intention of financing them on a long-term basis through securitizations, and on an interim basis through our warehouse credit facilities. All such financings have involved identification of specific automobile contracts, sale of those automobile contracts (and associated rights) to one of our special-purpose subsidiaries, and issuance of asset-backed securities to fund the transactions. Depending on the structure, these transactions may properly be accounted for under generally accepted accounting principles as sales of the automobile contracts or as secured financings.

When structured to be treated as a secured financing for accounting purposes, the subsidiary is consolidated with us. Accordingly, the sold automobile contracts and the related debt appear as assets and liabilities, respectively, on our consolidated balance sheet. We then periodically (i) recognize interest and fee income on the contracts, (ii) recognize interest expense on the securities issued in the transaction and (iii) record as expense a provision for credit losses on the contracts.

Since the third quarter 2003 through June 2008, we have conducted 23 term securitizations. Of these 23, 18 were quarterly securitizations of automobile contracts that we purchased from automobile dealers under our regular programs. In addition, in March 2004 and November 2005, we completed securitizations of our retained interests in other securitizations that we and our affiliates previously sponsored. The debt from the March 2004 transaction was repaid in August 2005 and the debt from the November 2005 transaction was repaid in May 2007. In September 2004, we completed a securitization of automobile contracts purchased in the SeaWest asset acquisition and under our TFC programs. In December 2005 and again in May 2007 we completed securitizations that included automobile contracts purchased under the TFC programs, automobile contracts purchased under the CPS programs and automobile contracts we repurchased upon termination of prior securitizations. All such securitizations since the third quarter of 2003 have been structured as secured financings.

UNCERTAINTY OF CAPITAL MARKETS

We are dependent upon the continued availability of warehouse credit facilities and access to long-term financing through the issuance of asset-backed securities collateralized by our automobile contracts. Since 1994, we have completed 48 term securitizations comprising approximately $6.4 billion in contracts. We conducted four term securitizations in 2006, four in 2007, and one in 2008. However, 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, increased financial guaranty premiums and reduced demand for asset-backed securities, including for securities carrying a financial guaranty and for securities backed by sub-prime automobile receivables. We believe that these adverse changes in the capital markets are primarily the result of widespread defaults of sub-prime mortgages securing a variety of term securitizations and related financial instruments, including instruments carrying financial guarantees similar to those we typically obtain for our own term securitizations.

The terms of our most recent securitization, completed in April 2008, required substantially greater credit enhancement than recent past securitizations, including a larger spread account and a greater portion of subordinated bonds. Greater credit enhancement requirements reduce the amount of cash available to us, both at inception of the securitization, and over the life of the transaction. Moreover, the recently completed securitization resulted in significantly higher costs to us in the form of higher premiums for financial guaranty insurance, higher interest rates paid on bonds sold by the securitization trust and greater discounts given to purchasers of such bonds. Due to current conditions in the capital markets, we believe that any additional securitization transactions that we may execute during 2008 are likely to be structured to include similar credit enhancement levels and result in similar costs to the recently completed transaction.

The adverse changes that have taken place in the market to date have caused us to curtail our purchases of automobile contracts in order to extend the time when our warehousing financing capacity would require us to conduct a term securitization. If the current adverse circumstances that have affected the capital markets should worsen such that we are precluded from completing a future securitization of our receivables, we may exhaust the capacity of our warehouse credit facilities which would cause us to further curtail or cease our purchases of new automobile contracts. Further adverse changes in the capital markets might result in our inability to securitize automobile contracts, which could lead to a material adverse effect on our operations.

Although we believe that such reductions in contract purchases would allow us to continue operations, such reductions have resulted in a decrease in the size of our portfolio of automobile contracts. A continuing decrease in portfolio size could have a material adverse effect on our cash flows and results of operations. However, continuing cashflows otherwise available to us would be sufficient to meet our remaining operating needs in the near term.

RESULTS OF OPERATIONS

COMPARISON OF OPERATING RESULTS FOR THE THREE-MONTHS ENDED JUNE 30, 2008 WITH THE THREE-MONTHS ENDED JUNE 30, 2007

REVENUES. During the three months ended June 30, 2008, revenues were $98.8 million, an increase of $3.0 million, or 3.1%, from the prior year revenue of $95.8 million. The primary reason for the increase in revenues is an increase in interest income. Interest income for the three months ended June 30, 2008 increased $5.4 million, or 6.0%, to $94.9 million from $89.5 million in the prior year. The primary reason for the increase in interest income is the increase in finance receivables held by consolidated subsidiaries (resulting in an increase of $7.2 million in interest income). This increase was partially offset by decreased interest earned on restricted cash balances and a decrease in interest earned on our residual interest in securitizations.

Servicing fees totaling $280,000 in the three months ended June 30, 2008 increased $167,000, or 148.1%, from $113,000 in the prior year. The increase in servicing fees is the result of recoveries on the SeaWest Third Party portfolio. Such recoveries have been treated as servicing fees since September 2007; prior to that time they were applied to an outstanding note obligation of SeaWest to CPS, in accordance with the terms of the related agreements. We expect servicing fees generally to decrease as the SeaWest Third Party portfolio and related recoveries decline.

As of June 30, 2008 and 2007, our managed portfolio owned by consolidated vs. non-consolidated subsidiaries and other third parties was as follows:

	June 30, 2008		June 30, 2007	
	Amount	%	Amount	%
TOTAL MANAGED PORTFOLIO	($ in millions)			
Owned by Consolidated Subsidiaries	$ 1,979.4	100.0%	$ 1,889.4	99.4%
Owned by Non-Consolidated Subsidiaries	--	0.0%	9.6	0.5%
SeaWest Third Party Portfolio	0.1	0.0%	1.3	0.1%
Total	$ 1,979.5	100.0%	$ 1,900.3	100.0%

At June 30, 2008, we were generating income and fees on a managed portfolio with an outstanding principal balance of $1,979.5 million (this amount includes $128,000 of automobile contracts securitized by SeaWest, on which we earn only servicing fees), compared to a managed portfolio with an outstanding principal balance of $1,900.3 million as of June 30, 2007. At June 30, 2008 and 2007, the managed portfolio composition was as follows:

	June 30, 2008		June 30, 2007	
	Amount	%	Amount	%
ORIGINATING ENTITY	($ in millions)			
CPS	$ 1,920.1	97.0%	$ 1,834.6	96.5%
TFC	59.0	3.0%	62.1	3.3%
MFN	0.0	0.0%	0.2	0.0%
SeaWest	0.3	0.0%	2.1	0.1%
SeaWest Third Party Portfolio	0.1	0.0%	1.3	0.1%
Total	$ 1,979.5	100.0%	$ 1,900.3	100.0%

Other income decreased $2.6 million, or 41.6%, to $3.6 million in the three months ended June 30, 2008 from $6.2 million during the prior year. The year over year decrease is the result of a variety of factors. In the prior year period, we sold a portfolio of charged off receivables for a gain of $1.7 million. In addition, prior year other income includes $1.1 million resulting from an increase in the carrying value of our residual interest in securitizations. The carrying value was increased primarily as a result of the underlying receivables having incurred fewer losses than we had previously estimated, which in turn resulted in actual cash flows exceeding cash flows that were estimated in our valuation of the residual asset at March 31, 2007. We do not expect that future cash flows will significantly exceed the estimates we are currently using for the valuation of our residual interest. In addition, recoveries on MFN and certain other automobile contracts decreased by $265,000 compared to the 2007 period. Partially offsetting these declines in other income, in 2008 we experienced increases in convenience fees charged to obligors for certain transaction types (an increase of $662,000). The level of convenience fees we earn is closely related to the size of our managed portfolio. Consequently, increases or decreases in convenience fees will result from increases or decreases in our managed portfolio.

The adverse changes that have taken place in the market to date have caused us to curtail our purchases of automobile contracts in order to extend the time when our warehousing financing capacity would require us to conduct a term securitization. As a result, our managed portfolio has decreased from $2,126.2 million at December 31, 2007 to $1,979.5 at June 30, 2008. If the adverse conditions continue and our managed portfolio continues to decline, our revenues will decline proportionately.

EXPENSES. Our operating expenses consist largely of provisions for credit losses, interest expense, employee costs and general and administrative expenses. Provisions for credit losses and interest expense are significantly affected by the volume of automobile contracts we purchased during a period and by the outstanding balance of finance receivables held by consolidated subsidiaries. Employee costs and general and administrative expenses are incurred as applications and automobile contracts are received, processed and serviced. Factors that affect margins and net income include changes in the automobile and automobile finance market environments, and macroeconomic factors such as interest rates and the unemployment level.

Employee costs include base salaries, commissions and bonuses paid to employees, and certain expenses related to the accounting treatment of outstanding stock options, and are one of our most significant operating expenses. These costs (other than those relating to stock options) generally fluctuate with the level of applications and automobile contracts processed and serviced.

Other operating expenses consist largely of facilities expenses, telephone and other communication services, credit services, computer services, marketing and advertising expenses, and depreciation and amortization.

Total operating expenses were $96.1 million for the three months ended June 30, 2008, compared to $89.6 million for the prior year, an increase of $6.5 million, or 7.3%. The increase is primarily due to an increase in interest expense of $7.2 million, or 21.5%.

Employee costs increased by 13.7% to $12.9 million during the three months ended June 30, 2008, representing 13.4% of total operating expenses, from $11.3 million for the prior year, or 12.7% of total operating expenses. During and through the end of 2007, we gradually increased our number of employees, generally throughout all areas of the Company, to accommodate greater volumes of contract purchases and the resulting higher balance of our managed portfolio. For the three-month period ended June 30, 2008 we averaged 872 employees compared to 858 employees for the same period of the prior year.

General and administrative expenses increased by 24.5% to $7.6 million and represented 7.9% of total operating expenses in the three months ending June 30, 2008. General and administrative expenses include costs associated with purchasing and servicing our portfolio of finance receivables including expenses for facilities, credit services, telecommunications and marketing.

Interest expense for the three months ended June 30, 2008 increased $7.2 million, or 21.5%, to $41.0 million, compared to $33.7 million in the previous year. The increase is primarily the result of changes in the amount and composition of securitization trust debt carried on our consolidated balance sheet. Interest on securitization trust debt increased by $7.2 million in the three months ended June 30, 2008 compared to the prior year. We also experienced increases in residual interest financing interest expenses of $1.6 million. A portion of the increase in interest expense can also be attributed to a gradual increase in market interest rates during 2007 during which time new securitization trust debt was added at fixed rates that were generally higher than the fixed rates on older securitization trust debt that was fully or partially repaid. Moreover, due to the securitization market disruption discussed above, the interest rates and discounts on the securitization trust debt from our April 2008 securitization transaction were significantly higher than those on our September 2007 transaction, which also contributed to the increase. Increases in interest expense for securitization trust debt and residual interest financing were somewhat offset by a decrease of $333,000 in interest expense for subordinated debt and a decrease of $1.3 million for warehouse debt interest expense. The decrease in the warehouse debt interest expense can be attributed to our lower level of new contract purchases in 2008 as compared to 2007.

At June 30, 2008 we borrowed $10 million in new senior secured debt. Subsequently, and prior to this filing, we borrowed an additional $15 million in senior secured debt and amended our existing residual financing indebtedness resulting in a higher interest rate on that indebtedness. As a result, we can expect that our interest expense on these components of debt will increase in future periods although such increases may be somewhat offset by decreases in our securitization trust debt should our portfolio of managed receivables continue to decline.

Marketing expenses consist primarily of commission-based compensation paid to our employee marketing representatives and decreased by $2.1 million, or 44.3%, to $2.6 million, compared to $4.7 million in the previous year. These expenses represented 2.7% of total operating expenses. The decrease is primarily due to the decrease in automobile contracts we purchased during the three months ended June 30, 2008 as compared to the prior year. During the three months ended June 30, 2008, we purchased 5,268 automobile contracts aggregating $79.8 million, compared to 22,327 automobile contracts aggregating $346.0 million in the prior year. The adverse changes that have taken place in the securitization market since the fourth quarter of 2007 have caused us to curtail our purchases of automobile contracts in order to preserve liquidity.

Occupancy expenses increased slightly by $109,000 or 11.6%, to $1.0 million compared to $934,000 in the previous year and represented 1.2% of total operating expenses.

Depreciation and amortization expenses decreased by $25,000, or 20.0%, to $98,000 from $123,000 in the previous year.

For the three months ended June 30, 2008, we recorded tax expense of $1.2 million or 45.0% of income before income taxes. For the three months ended June 30, 2007, we recorded income taxes of $2.7 million or 44.1% of income before income taxes. The increased effective tax rate is primarily related to the impact of 2008 projected permanent differences from various items including stock based compensation. As of June 30, 2008, we had net deferred tax assets of $58.8 million.

COMPARISON OF OPERATING RESULTS FOR THE SIX-MONTHS ENDED JUNE 30, 2008 WITH THE SIX-MONTHS ENDED JUNE 30, 2007

REVENUES. During the six months ended June 30, 2008, revenues were $202.1 million, an increase of $19.8 million, or 10.9%, from the prior year revenue of $182.3 million. The primary reason for the increase in revenues is an increase in interest income. Interest income for the six months ended June 30, 2008 increased $24.3 million, or 14.3%, to $194.2 million from $169.9 million in the prior year. The primary reason for the increase in interest income is the increase in finance receivables held by consolidated subsidiaries (resulting in an increase of $27.7 million in interest income). This increase was partially offset by decreased interest earned on restricted cash balances and a decrease in interest earned on our residual interest in securitizations.

Servicing fees totaling $708,000 in the six months ended June 30, 2008 increased $313,000, or 79.3%, from $395,000 in the prior year. The increase in servicing fees is the result of recoveries on the SeaWest Third Party portfolio. Such recoveries have been treated as servicing fees since September 2007; prior to that time they were applied to an outstanding note obligation of SeaWest to CPS, in accordance with the terms of the related agreements. We expect servicing fees generally to decrease as the SeaWest Third Party portfolio and related recoveries decline.

At June 30, 2008, we were generating income and fees on a managed portfolio with an outstanding principal balance of $1,979.5 million (this amount includes $128,000 of automobile contracts securitized by SeaWest, on which we earn only servicing fees), compared to a managed portfolio with an outstanding principal balance of $1,900.3 million as of June 30, 2007.

Other income decreased $4.8 million, or 40.2%, to $7.2 million in the six months ended June 30, 2008 from $12.0 million during the prior year. The year over year decrease is the result of a variety of factors. In the prior year period, we sold a portfolio of charged off receivables for a gain of $1.7 million. In addition, prior year other income includes $3.6 million resulting from an increase in the carrying value of our residual interest in securitizations. The carrying value was increased primarily as a result of the underlying receivables having incurred fewer losses than we had previously estimated, which in turn resulted in actual cash flows exceeding cash flows that were estimated in our valuation of the residual asset at December 31, 2006. We do not expect that future cash flows will significantly exceed the estimates we are currently using for the valuation of our residual interest. In addition, recoveries on MFN and certain other automobile contracts decreased by $515,000 compared to the 2007 period. Partially offsetting these declines in other income, in 2008 we experienced increases in convenience fees charged to obligors for certain transaction types (an increase of $1.4 million). The level of convenience fees we earn is closely related to the size of our managed portfolio. Consequently, increases or decreases in convenience fees will result from increases or decreases in our managed portfolio.

The adverse changes that have taken place in the securitization market since the fourth quarter of 2007 have caused us to curtail our purchases of automobile contracts in order to preserve liquidity. As a result, our managed portfolio has decreased from $2,126.2 million at December 31, 2007 to $1,979.5 at June 30, 2008. If the adverse conditions continue and our managed portfolio continues to decline, our revenues will decline proportionately.

EXPENSES. Our operating expenses consist largely of provisions for credit losses, interest expense, employee costs and general and administrative expenses. Provisions for credit losses and interest expense are significantly affected by the volume of automobile contracts we purchased during a period and by the outstanding balance of finance receivables held by consolidated subsidiaries. Employee costs and general and administrative expenses are incurred as applications and automobile contracts are received, processed and serviced. Factors that affect margins and net income include changes in the automobile and automobile finance market environments, and macroeconomic factors such as interest rates and the unemployment level.

Employee costs include base salaries, commissions and bonuses paid to employees, and certain expenses related to the accounting treatment of outstanding stock options, and are one of our most significant operating expenses. These costs (other than those relating to stock options) generally fluctuate with the level of applications and automobile contracts processed and serviced.

Other operating expenses consist largely of facilities expenses, telephone and other communication services, credit services, computer services, marketing and advertising expenses, and depreciation and amortization.

Total operating expenses were $195.6 million for the six months ended June 30, 2008, compared to $170.6 million for the prior year, an increase of $25.0 million, or 14.6%. The increase is primarily due to an increase in interest expense of $16.8 million, or 26.5%.

Employee costs increased by 19.1% to $26.4 million during the six months ended June 30, 2008, representing 13.5% of total operating expenses, from $22.1 million for the prior year, or 13.0% of total operating expenses. The increase in employee costs is the result of additions to our staff, generally throughout all areas of the Company, to accommodate greater volumes of contract purchases and the resulting higher balance of our managed portfolio. For the six-month period ended June 30, 2008 we averaged 911 employees compared to 835 employees for the same period of the prior year.

General and administrative expenses increased by 23.8% to $14.9 million and represented 7.6% of total operating expenses in the six months ending June 30, 2008. General and administrative expenses include costs associated with purchasing and servicing our portfolio of finance receivables including expenses for facilities, credit services, telecommunications and marketing.

Interest expense for the six months ended June 30, 2008 increased $16.8 million, or 26.5%, to $80.0 million, compared to $63.2 million in the previous year. The increase is primarily the result of changes in the amount and composition of securitization trust debt carried on our consolidated balance sheet. Interest on securitization trust debt increased by $13.8 million in the six months ended June 30, 2008 compared to the prior year. We also experienced increases in warehouse interest expense and residual interest financing interest expenses of $710,000 and $3.0 million, respectively. A portion of the increase in interest expense can also be attributed to a gradual increase in market interest rates during 2007 during which time new securitization trust debt was added at fixed rates that were generally higher than the fixed rates on older securitization trust debt that was fully or partially repaid. Moreover, due to the securitization market disruption discussed above, the interest rates and discounts on the securitization trust debt from our April 2008 securitization transaction were higher than those on our September 2007 transaction, which also contributed to the increase. Increases in interest expense for securitization trust debt, warehouse and residual interest financing were somewhat offset by a decrease of $711,000 in interest expense for subordinated debt.

At June 30, 2008 we borrowed $10 million in new senior secured debt. Subsequently, and prior to this filing, we borrowed an additional $15 million in senior secured debt and amended our existing residual financing indebtedness resulting in a higher interest rate on that indebtedness. As a result, we can expect that our interest expense on these components of debt will increase in future periods although such increases may be somewhat offset by decreases in our securitization trust debt should our portfolio of managed receivables continue to decline.

Marketing expenses consist primarily of commission-based compensation paid to our employee marketing representatives and decreased by $2.7 million, or 30.1%, to $6.2 million, compared to $8.9 million in the previous year and represented 3.2% of total operating expenses. The decrease is primarily due to the decrease in automobile contracts we purchased during the six months ended June 30, 2008 as compared to the prior year. During the six months ended June 30, 2008, we purchased 17,051 automobile contracts aggregating $255.9 million, compared to 43,897 automobile contracts aggregating $676.3 million in the prior year. The adverse changes that have taken place in the securitization market since the fourth quarter of 2007 have caused us to curtail our purchases of automobile contracts in order to preserve liquidity.

Occupancy expenses increased slightly by $174,000 or 9.3%, to $2.0 million compared to $1.9 million in the previous year and represented 1.0% of total operating expenses.

Depreciation and amortization expenses decreased by $53,000, or 18.2%, to $237,000 from $290,000 in the previous year.

For the six months ended June 30, 2008, we recorded tax expense of $2.9 million or 44.4% of income before income taxes. For the six months ended June 30, 2007, we recorded income taxes of $4.9 million or 42.3% of income before income taxes. The increased effective tax rate is primarily related to the impact of 2008 projected permanent differences from various items including stock based compensation. As of June 30, 2008, we had net deferred tax assets of $58.8 million.

CREDIT EXPERIENCE

Our financial results are dependent on the performance of the automobile contracts in which we retain an ownership interest. The table below documents the delinquency, repossession and net credit loss experience of all automobile contracts that we were servicing (excluding automobile contracts from the SeaWest Third Party Portfolio) as of the respective dates shown. Credit experience for CPS, MFN (since the date of the MFN transaction), TFC (since the date of the TFC transaction) and SeaWest (since the date of the SeaWest transaction) is shown on a combined basis in the table below.

DELINQUENCY EXPERIENCE (1)
CPS, MFN, TFC AND SEAWEST COMBINED

	June 30, 2007		June 30, 2008		December 31, 2007	
	Number of Contracts	Amount	Number of Contracts	Amount	Contracts	Number of Amount
			(Dollars in thousands)			
Delinquency Experience						
Gross servicing portfolio (1)	162,673	$1,981,134	150,900	$1,903,233	168,260	$2,128,656
Period of delinquency (2)						
31-60 days	3,950	44,740	3,495	40,267	4,227	48,134
61-90 days	2,122	24,408	1,511	17,049	2,370	27,877
91+ days	1,203	12,754	909	9,229	2,039	24,888
Total delinquencies (2)	7,275	81,902	5,915	66,545	8,636	100,899
Amount in repossession (3)	3,410	39,346	2,228	25,716	3,049	33,400
Total delinquencies and amount in repossession (2)	10,685	$ 121,248	8,143	$ 92,261	11,685	$ 134,299
Delinquencies as a percentage of gross servicing portfolio	4.5%	4.1 %	3.9 %	3.5 %	5.1 %	4.7 %
Total delinquencies and amount in repossession as a percentage of gross servicing portfolio	6.6 %	6.1 %	5.4 %	4.8 %	6.9 %	6.3 %

- ----------
(1) ALL AMOUNTS AND PERCENTAGES ARE BASED ON THE AMOUNT REMAINING TO BE REPAID ON EACH AUTOMOBILE CONTRACT, INCLUDING, FOR PRE-COMPUTED AUTOMOBILE CONTRACTS, ANY UNEARNED INTEREST. THE INFORMATION IN THE TABLE REPRESENTS THE GROSS PRINCIPAL AMOUNT OF ALL AUTOMOBILE CONTRACTS PURCHASED BY US, INCLUDING AUTOMOBILE CONTRACTS SUBSEQUENTLY SOLD BY US IN SECURITIZATION TRANSACTIONS THAT WE CONTINUE TO SERVICE. THE TABLE DOES NOT INCLUDE AUTOMOBILE CONTRACTS FROM THE SEAWEST THIRD PARTY PORTFOLIO.
(2) WE CONSIDER AN AUTOMOBILE CONTRACT DELINQUENT WHEN AN OBLIGOR FAILS TO MAKE AT LEAST 90% OF A CONTRACTUALLY DUE PAYMENT BY THE FOLLOWING DUE DATE, WHICH DATE MAY HAVE BEEN EXTENDED WITHIN LIMITS SPECIFIED IN THE SERVICING AGREEMENTS. THE PERIOD OF DELINQUENCY IS BASED ON THE NUMBER OF DAYS PAYMENTS ARE CONTRACTUALLY PAST DUE. AUTOMOBILE CONTRACTS LESS THAN 31 DAYS DELINQUENT ARE NOT INCLUDED.
(3) AMOUNT IN REPOSSESSION REPRESENTS FINANCED VEHICLES THAT HAVE BEEN REPOSSESSED BUT NOT YET LIQUIDATED.

NET CHARGE-OFF EXPERIENCE (1)
CPS, MFN, TFC AND SEAWEST COMBINED

	June 30, 2008	June 30, 2007	December 31, 2007
	(Dollars in thousands)		
Average servicing portfolio outstanding	$2,067,917	$1,752,458	$1,905,162
Annualized net charge-offs as a percentage of average servicing portfolio (2)	6.8 %	4.6 %	5.3 %

- ----------
(1) ALL AMOUNTS AND PERCENTAGES ARE BASED ON THE PRINCIPAL AMOUNT SCHEDULED TO BE PAID ON EACH AUTOMOBILE CONTRACT, NET OF UNEARNED INCOME ON PRE-COMPUTED AUTOMOBILE CONTRACTS. THE INFORMATION IN THE TABLE REPRESENTS ALL AUTOMOBILE CONTRACTS SERVICED BY US (EXCLUDING AUTOMOBILE CONTRACTS FROM THE SEAWEST THIRD PARTY PORTFOLIO).

(2) NET CHARGE-OFFS INCLUDE THE REMAINING PRINCIPAL BALANCE, AFTER THE APPLICATION OF THE NET PROCEEDS FROM THE LIQUIDATION OF THE VEHICLE (EXCLUDING ACCRUED AND UNPAID INTEREST) AND AMOUNTS COLLECTED SUBSEQUENT TO THE DATE OF CHARGE-OFF, INCLUDING SOME RECOVERIES WHICH HAVE BEEN CLASSIFIED AS OTHER INCOME IN THE ACCOMPANYING INTERIM FINANCIAL STATEMENTS. JUNE 30, 2008 AND JUNE 30, 2007 PERCENTAGE REPRESENTS SIX MONTHS ENDED JUNE 30, 2008 AND JUNE 30, 2007 ANNUALIZED. DECEMBER 31, 2007 REPRESENTS 12 MONTHS ENDED DECEMBER 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES

Our business requires substantial cash to support our purchases of automobile contracts and other operating activities. Our primary sources of cash have been cash flows from operating activities, including proceeds from sales of automobile contracts, amounts borrowed under various revolving credit facilities (also sometimes known as warehouse credit facilities), servicing fees on portfolios of automobile contracts previously sold in securitization transactions or serviced for third parties, customer payments of principal and interest on finance receivables, and releases of cash from securitized pools of automobile contracts in which we have retained a residual ownership interest and from the spread account associated with such pools. Our primary uses of cash have been the purchases of automobile contracts, repayment of amounts borrowed under lines of credit and otherwise, operating expenses such as employee, interest, occupancy expenses and other general and administrative expenses, the establishment of spread account and initial overcollateralization, and the increase of credit enhancement to required levels in securitization transactions, and income taxes. There can be no assurance that internally generated cash will be sufficient to meet our cash demands. The sufficiency of internally generated cash will depend on the performance of securitized pools (which determines the level of releases from those pools and their related spread account), the rate of expansion or contraction in our managed portfolio, and the terms upon which we are able to acquire, sell, and borrow against automobile contracts.

Net cash provided by operating activities for the six-month period ended June 30, 2008 was $84.1 million compared to net cash provided by operating activities for the six-month period ended June 30, 2007 of $67.7 million. Cash provided by operating activities is affected by our increased net earnings before the significant increase in the provision for credit losses.

Net cash provided by investing activities for the six-month period ended June 30, 2008 was $76.5 million compared to net cash used in investing activities of 452.5 million in the prior year period. Cash flows from investing activities has primarily related to purchases of automobile contracts less principal amortization on our consolidated portfolio of automobile contracts. The adverse changes that have taken place in the securitization market since the fourth quarter of 2007 have caused us to curtail our purchases of automobile contracts in order to preserve liquidity.

Net cash used by financing activities for the six months ended June 30, 2008 was $159.6 million compared to net cash provided by financing activities of $384.0 million in the prior year period. Cash provided by financing activities is generally related to the issuance of new securitization trust debt. We issued $285.4 million in new securitization trust debt in the six months ended June 30, 2008 compared to $709.2 million in the prior year period. Cash used in financing activities also includes the repayment of securitization trust debt of $377.4 million and $316.8 million for the six-month periods ended June 30, 2008 and 2007, respectively.

We purchase automobile contracts from dealers for cash prices approximating their principal amounts, adjusted for acquisition fees that may either increase or decrease the automobile contract purchase price. Those automobile contracts generate cash flow, however, over a period of years. As a result, we have been dependent on warehouse credit facilities to purchase automobile contracts, and on the availability of cash from outside sources in order to finance our continuing operations, as well as to fund the portion of automobile contract purchase prices not financed under revolving warehouse credit facilities. As of June 30, 2008, we had $400 million in warehouse credit capacity, in the form of two $200 million senior facilities. One $200 million senior facility provides funding for automobile contracts purchased under the TFC programs while both senior facilities provide funding for automobile contracts purchased under the CPS programs.

The first of two warehouse facilities mentioned above is provided by Bear, Stearns International Limited and is structured to allow us to fund a portion of the purchase price of automobile contracts by drawing against a floating rate variable funding note issued by our consolidated subsidiary Page Three Funding, LLC. This facility was established on November 15, 2005, and expires on November 6, 2008, although it is renewable with the mutual agreement of the parties. On November 8, 2006 the facility was increased from $150 million to $200 million and the maximum advance rate was increased to 83% from 80% of eligible contracts, subject to collateral tests and certain other conditions and covenants. The advance rate is subject to the lender's valuation of the

collateral, which in turn is affected by factors such as the credit performance of our managed portfolio and the terms and conditions of our term securitizations, including the expected yields required for bonds issued in our term securitizations, and is currently at less than the maximum advance rate. Notes under this facility accrue interest at a rate of one-month LIBOR plus 2.50% per annum. At June 30, 2008, $77.2 million was outstanding under this facility.

The second of two warehouse facilities is provided by UBS Real Estate Securities Inc. and is similarly structured to allow us to fund a portion of the purchase price of automobile contracts by drawing against a floating rate variable funding note issued by our consolidated subsidiary Page Funding LLC. This facility was entered into on June 30, 2004. On June 29, 2005 the facility was increased from $100 million to $125 million and further amended to provide for funding for automobile contracts purchased under the TFC programs, in addition to our CPS programs. The available credit under the facility was increased again to $200 million on August 31, 2005. In April 2006, the terms of this facility were amended to allow advances to us of up to 80% of the principal balance of automobile contracts that we purchase under our CPS programs, and of up to 70% of the principal balance of automobile contracts that we purchase under our TFC programs, in all events subject to collateral tests and certain other conditions and covenants. On June 30, 2006, the terms of this facility were amended to allow advances to us of up to 83% of the principal balance of automobile contracts that we purchase under our CPS programs, in all events subject to collateral tests and certain other conditions and covenants. The advance rate is subject to the lender's valuation of the collateral which, in turn, is affected by factors such as the credit performance of our managed portfolio and the terms and conditions of our term securitizations, including the expected yields for bonds issued in our term securitizations, and is currently at less than the maximum advance rate. Notes under this facility accrue interest at a rate of one-month LIBOR plus 2.00% per annum. The facility expires on September 30, 2008, unless renewed by us and the lender before that time. At June 30, 2008, $70.9 million was outstanding under this facility.

The balance under these warehouse facilities generally will increase as we purchase additional automobile contracts, until we effect a securitization utilizing automobile contracts pledged to the warehouse facilities. Proceeds from the securitization are then used to pay down the outstanding balance of the warehouse facilities.

The acquisition of automobile contracts for subsequent sale in securitization transactions, and the need to fund the spread accounts and initial overcollateralization, if any, and increase credit enhancement levels when those transactions take place, results in a continuing need for capital. The amount of capital required is most heavily dependent on the rate of our automobile contract purchases, the advance rate on the warehouse facilities, the required level of initial credit enhancement in securitizations, and the extent to which the previously established trusts and their related spread account either release cash to us or capture cash from collections on securitized automobile contracts. We are limited in our ability to purchase automobile contracts by our available cash and the capacity of our warehouse facilities. As of June 30, 2008, we had unrestricted cash on hand of $21.8 million and available capacity from our warehouse credit facilities of $251.9 million, subject to the availability of suitable automobile contracts to serve as collateral and of sufficient cash to fund the portion of such automobile contracts purchase price not advanced under the warehouse facilities. Our plans to manage our liquidity include the completion of additional term securitizations that may result in additional unrestricted cash through repayment of the warehouse facilities, and matching our levels of automobile contract purchases to our availability of cash. There can be no assurance that we will be able to complete term securitizations on favorable economic terms or that we will be able to complete term securitizations at all. If we were unable to complete such securitizations, interest income and other portfolio related income would decrease.

Our primary means of ensuring that our cash demands do not exceed our cash resources is to match our levels of automobile contract purchases to our availability of cash. Our ability to adjust the quantity of automobile contracts that we purchase and securitize will be subject to general competitive conditions and the continued availability of warehouse credit facilities. There can be no assurance that the desired level of automobile contract acquisition can be maintained or increased. While the specific terms of our securitization transactions vary, our securitization agreements generally provide that we will receive excess cash flows only if the amount of credit enhancement has reached specified levels and/or the delinquency, defaults or net losses related to the automobile contracts in the pool are below certain predetermined levels. In the

event delinquencies, defaults or net losses on the automobile contracts exceed such levels, the terms of the securitization: (i) may require increased credit enhancement to be accumulated for the particular pool; (ii) may restrict the distribution to us of excess cash flows associated with other pools; or (iii) in certain circumstances, may permit the note insurers to require the transfer of servicing on some or all of the automobile contracts to another servicer. There can be no assurance that collections from the related Trusts will continue to generate sufficient cash.

In November 2005, we completed a securitization in which a wholly-owned bankruptcy remote consolidated subsidiary of ours issued $45.8 million of asset-backed notes secured by its retained interest in ten term securitization transactions. At December 31, 2006 there was $19.6 million outstanding on this facility and in May 2007 the notes were fully repaid. In December 2006 we entered into a $35 million residual credit facility that was secured by our retained interests in additional term securitizations. At December 31, 2006, there was $12.2 million outstanding under this facility. In July 2007, we established a combination term and revolving residual credit facility and used a portion of our initial draw under that facility to repay our remaining outstanding debt under the December 2006 $35 million residual facility.

Under the combination term and revolving residual credit facility, we have used and intend to use eligible residual interests in securitizations as collateral for floating rate borrowings. The amount that were able to borrow was computed using an agreed valuation methodology of the residuals, subject to an overall maximum principal amount of $120 million, represented by (i) a $60 million Class A-1 variable funding note (the "revolving note"), and (ii) a $60 million Class A-2 term note (the "term note"). The term note was fully drawn in July 2007 and was due in July 2009. As of June 30, 2008, we had drawn $26.8 million on the revolving note. The facility's revolving feature expired in July 2008. On July 10, 2008 we amended the terms of the combination term and revolving residual credit facility, (i) eliminating the revolving feature and increasing the interest rate, (ii) consolidating the amounts then owing on the Class A-1 note with the Class A-2 note, (iii) establishing an amortization schedule for principal reductions on the Class A-2 note, and (iv) providing for an extension, at our option if certain conditions are met, of the Class A-2 note maturity from June 2009 to June 2010. At the time of the amendment the aggregate indebtedness under this facility was $70.0 million.

On June 30, 2008, we entered into a series of agreements pursuant to which a lender purchased a $10 million five-year, fixed rate, senior secured note issued by the Company. The indebtedness is secured by substantially all of the Company's assets, though not by the assets of the Company's special-purpose financing subsidiaries. In conjunction with the amendment of the combination term and revolving residual credit facility as discussed above, the lender purchased an additional $15 million note with substantially the same terms as the $10 million note.

The terms of the various securitization agreements related to the issuance of the securitization trust debt and the warehouse credit facilities require that certain delinquency and credit loss criteria be met with respect to the collateral pool, and require that we maintain minimum levels of liquidity and net worth and not exceed maximum leverage levels and maximum financial losses. In addition, certain securitization and non-securitization related debt contain cross-default provisions, which would allow certain creditors to declare a default if a default were declared under a different facility. As of June 30, 2008, we were in compliance with all such financial covenants.

The securitization agreements of our term securitization transactions are terminable by the note insurers in the event of certain defaults by us and under certain other circumstances. Similar termination rights are held by the lenders in the warehouse credit facilities. Were a note insurer (or the lenders in such warehouse facilities) in the future to exercise its option to terminate the securitization agreements, such a termination would have a material adverse effect on our liquidity and results of operations. We continue to receive servicer extensions on a monthly and/or quarterly basis, pursuant to the securitization agreements.

CRITICAL ACCOUNTING POLICIES

(a) ALLOWANCE FOR FINANCE CREDIT LOSSES

In order to estimate an appropriate allowance for losses incurred on finance receivables held on our Unaudited Condensed Consolidated Balance Sheet, we use a loss allowance methodology commonly referred to as "static pooling," which stratifies our finance receivable portfolio into separately identified pools. Using analytical and formula-driven techniques, we estimate an allowance for finance credit losses, which management believes is adequate for probable credit losses that can be reasonably estimated in our portfolio of finance receivable automobile contracts. Provision for losses is charged to our Unaudited Consolidated Statement of Operations. Net losses incurred on finance receivables are charged to the allowance. Management evaluates the adequacy of the allowance by examining current delinquencies, the characteristics of the portfolio and the value of the underlying collateral. As conditions change, our level of provisioning and/or allowance may change as well.

(b) CONTRACT ACQUISITION FEES AND ORIGINATIONS COSTS

Upon purchase of a contract from a dealer, we generally charge or advance the dealer an acquisition fee. For contracts securitized in pools which were structured as sales for financial accounting purposes, the acquisition fees associated with contract purchases were deferred until the contracts were securitized, at which time the deferred acquisition fees were recognized as a component of the gain on sale.

For contracts purchased and securitized in pools which are structured as secured financings for financial accounting purposes, dealer acquisition fees and deferred originations costs are reduced against the carrying value of finance receivables and are accreted into earnings as an adjustment to the yield over the estimated life of the contract using the interest method.

(c) INCOME TAXES

We and our subsidiaries file consolidated federal income and combined state franchise tax returns. We utilize the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the future tax consequences attributable to the differences between the financial statement values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against that portion of the deferred tax asset whose utilization in future period is not more than likely.

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

(d) STOCK-BASED COMPENSATION

We recognize compensation costs in the financial statements for all share-based payments granted subsequent to December 31, 2005 based on the grant date fair value estimated in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment, revised 2004" ("SFAS 123R").

In December 2005, the Compensation Committee of the Board of Directors approved accelerated vesting of all the outstanding stock options issued by us. Options to purchase 2,113,998 shares of our common stock, which would otherwise have vested from time to time through 2010, became immediately exercisable as a result of the acceleration of vesting. The decision to accelerate the vesting of the options was made primarily to reduce non-cash compensation expenses that would have been recorded in our income statement in future period upon the adoption of Financial Accounting Standards Board Statement No. 123(R) in January 2006.

For the six months ended June 30, 2008, we recorded $654,079 in stock-based compensation costs, resulting from grants of options during the period and vesting of previously granted options. As of June 30, 2008, there were $4.3 million in unrecognized stock-based compensation costs to be recognized over future periods.

FORWARD LOOKING STATEMENTS

This report on Form 10-Q includes certain "forward-looking statements." Forward-looking statements may be identified by the use of words such as "anticipates," "expects," "plans," "estimates," or words of like meaning. Our provision for credit losses is a forward-looking statement, as it is dependent on our estimates as to future chargeoffs and recovery rates. Factors that could affect charge-offs and recovery rates include changes in the general economic climate, which could affect the willingness or ability of obligors to pay pursuant to the terms of automobile contracts, changes in laws respecting consumer finance, which could affect our ability to enforce rights under automobile contracts, and changes in the market for used vehicles, which could affect the levels of recoveries upon sale of repossessed vehicles. Factors that could affect our revenues in the current year include the levels of cash releases from existing pools of automobile contracts, which would affect our ability to purchase automobile contracts, the terms on which we are able to finance such purchases, the willingness of dealers to sell automobile contracts to us on the terms that we offer, and the terms on which we are able to complete term securitizations once automobile contracts are acquired. Factors that could affect our expenses in the current year include competitive conditions in the market for qualified personnel and interest rates (which affect the rates that we pay on notes issued in our securitizations). The statements concerning our structuring future securitization transactions as secured financings and the effects of such structures on financial items and on our future profitability also are forward-looking statements. Any change to the structure of our securitization transaction could cause such forward-looking statements not to be accurate. Both the amount of the effect of the change in structure on our profitability and the duration of the period in which our profitability would be affected by the change in securitization structure are estimates. The accuracy of such estimates will be affected by the rate at which we purchase automobile contracts, any changes in that rate, the credit performance of such automobile contracts, the financial terms of future securitizations, any changes in such terms over time, and other factors that generally affect our profitability.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

We are subject to interest rate risk during the period between when automobile contracts are purchased from dealers and when such automobile contracts become part of a term securitization. Specifically, the interest rates on the warehouse facilities are adjustable while the interest rates on the automobile contracts are fixed. Historically, our term securitization facilities have had fixed rates of interest. To mitigate some of this risk, we have in the past structured certain of our securitization transactions to include pre-funding structures, in which the amount of notes issued exceeds the amount of automobile contracts initially sold to the trusts. In pre-funding, the proceeds from the pre-funded portion are held in an escrow account until we sell the additional automobile contracts to the trust in amounts up to the balance of the pre-funded escrow account. In pre-funded securitizations, we lock in the borrowing costs with respect to the automobile contracts it subsequently delivers to the trust. 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 notes outstanding, as to the amount of which there can be no assurance.

We have historically mitigated, but not eliminated, interest rate risk by generally holding such contracts for less than four months before obtaining permanent fixed rate financing. The reader should note that extraordinary events in the market for securitized receivables have materially increased the cost of obtaining permanent financing through securitization. To minimize the extent to which we incur such increased costs, we have chosen to accept increased interest rate risk, and we are holding fixed rate automobile contracts in floating rate warehouse credit facilities beyond four months, approaching the 180-day maximums that apply to each of our two warehouse credit facilities.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a system of internal controls and procedures designed to provide reasonable assurance as to the reliability of our published financial statements and other disclosures included in this report. As of the end of the period covered by this report, we evaluated the effectiveness of the design and operation of such disclosure controls and procedures. Based upon that evaluation, the principal executive officer (Charles E. Bradley, Jr.) and the principal financial officer (Jeffrey P. Fritz) concluded that the disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, material information relating to us that is required to be included in our reports filed under the Securities Exchange Act of 1934. There have been no significant changes in our internal controls over financial reporting during our most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information provided under the caption "Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2007, is incorporated herein by reference.

Such information included a reference to an individual resident of Ohio, Agborebot Bate-Eya, having filed against us a purported class counterclaim to a collection lawsuit. The claims against us have since been dismissed with prejudice.

ITEM 1A. RISK FACTORS

We remind the reader that risk factors are set forth in Item 1A of our report on Form 10-K, filed with the U.S. Securities and Exchange Commission on March 9, 2007. Material changes from such risk factors as previously disclosed are set forth below.

One of the risk factors discussed in our annual report on Form 10-K advised that our financial and operational performance depends upon a number of factors, many of which are beyond our control. The reader should note that among such factors is the ability to execute securitization transactions on acceptable terms, as to which there can be no assurance.

Another of the risk factors discussed in our annual report on Form 10-K noted that we are dependent on warehouse financing facilities, pointed out that the lender in one of our two warehouse financing facilities is an affiliate of Bear Stearns, and noted that liquidity issues or changes in business strategy on the part of that lender could affect whether that lender may continue to do business with us. Subsequent to filing of our annual report, Bear Stearns has been acquired by JPMorgan Chase. We cannot predict whether JPMorgan Chase will agree to a renewal of that warehouse facility, which will expire in November 2008 unless earlier renewed or terminated upon the occurrence of certain events, nor the terms on which any renewal may be available.

The same risk factor included in our annual report on Form 10-K described the issuance of subordinated debt under each of our two warehouse credit facilities, noted that the obligation of subordinated lenders to purchase such debt was to expire by its terms on January 15, 2008, noted that we had entered into a series of short-term extensions, and warned that there could be no assurance as to our ability to come to terms regarding further extensions. In April 2008, we paid all outstanding subordinated debt issued under such warehouse facilities. We were not able to come to terms that would allow us to continue to issue subordinated debt under the warehouse facilities, and we no longer have the ability to issue subordinated debt under either warehouse credit facility.

Another of the risk factors discussed in our annual report on Form 10-K noted that we are subject to interest rate risk related to our holding fixed rate automobile contracts, from the time that we acquire such contracts to the time that we obtain fixed rate permanent financing for such contracts, historically in securitizations. We stated there that we have mitigated, but not eliminated, that interest rate risk by generally holding such contracts for less than four months before obtaining permanent fixed rate financing. The reader should note that extraordinary events in the market for securitized receivables have materially increased the cost of obtaining permanent financing through securitization. To minimize the extent to which we incur such increased costs, we have chosen to accept increased interest rate risk, and we are holding fixed rate automobile contracts in floating rate warehouse credit facilities beyond four months, approaching the 180-day maximums that apply to each of our two warehouse credit facilities.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended June 30, 2008, we purchased a total of 411,038 shares of our common stock, as described in the following table:

ISSUER PURCHASES OF EQUITY SECURITIES

Period(1)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
April 2008	137,539	$ 2.98	137,539	$ 4,071,771
May 2008	140,136	2.95	140,136	3,657,953
June 2008	133,363	2.82	133,363	3,282,403
Total	411,038	$ 2.92	411,038	--

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(1) EACH MONTHLY PERIOD IS THE CALENDAR MONTH.
(2) OUR BOARD OF DIRECTORS IN JANUARY 2008 AUTHORIZED THE PURCHASE OF UP TO AN ADDITIONAL $5 MILLION OF OUR OUTSTANDING SECURITIES.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our annual meeting of shareholders was held on June 4, 2008. At the meeting, each of the eight nominees to the Board of Directors was elected for a one-year term by the shareholders, with votes cast as follows:

NOMINEE	VOTES FOR	VOTES WITHHELD
Charles E. Bradley, Jr.	15,173,753	741,661
Chris A. Adams	14,807,737	1,107,677
E. Bruce Fredrikson	15,170,993	744,421
Brian J. Rayhill	14,807,737	1,107,677
William B. Roberts	15,014,649	900,765
John C. Warner	15,160,283	755,131
Gregory S. Washer	14,650,158	1,265,256
Daniel S. Wood	15,014,899	900,515

The shareholders also approved the three other proposals placed before the annual meeting. Those proposals were (i) to ratify the appointment of McGladrey & Pullen LLP as independent auditors of the Company for the fiscal year ending December 31, 2008, (ii) to approve an amendment to our 2006 Long-Term Equity Incentive Plan that increased by from 3,000,000 to 5,000,000 the number of shares of common stock that may be made the subject of plan awards, and (iii) to approve the material terms of the Company's Executive Management Bonus Plan, including an amendment that increased the maximum bonuses that may be paid under such Plan. Votes on the proposals were cast as follows:

	Ratification of Selection of Independent Auditors	Amendment of our 2006 Long-Term Equity Incentive Plan	Approval of the material terms of the Company's Executive Management Bonus Plan
For	15,678,953	5,221,652	14,683,074
Against	54,640	3,874,799	1,048,537
Abstain	181,821	142,882	183,800
Broker Non-votes	0	6,676,081	0

ITEM 6. EXHIBITS

The Exhibits listed below are filed with this report.

4.14 Instruments defining the rights of holders of long-term debt of certain consolidated subsidiaries of the registrant are omitted pursuant to the exclusion set forth in subdivisions (b)(iv)(iii)(A) and (b)(v) of Item 601 of Regulation S-K (17 CFR 229.601). The registrant agrees to provide copies of such instruments to the United States Securities and Exchange Commission upon request.

4.27 Indenture dated as of March 1, 2008, respecting notes issued by CPS Auto Receivables Trust 2008-A (Incorporated by reference to exhibit 4.27 to Form 8-K filed by the registrant on April 15, 2008)

4.28 Sale and Servicing Agreement dated as of March 1, 2008, re CPS Auto Receivables Trust 2008-A (Incorporated by reference to exhibit 4.28 to Form 8-K filed by the registrant on April 15, 2008)

10.15 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 LLCP on July 10, 2008)

10.15.1 Am. No. 1 dated July 10, 2008 to Securities Purchase Agreement dated June 30, 2008 between the registrant and LLCP

10.16 Registration Rights Agreement between the registrant and LLCP. (Incorporated by reference to exhibit 99.6 to Schedule 13D filed by LLCP on July 10, 2008)

10.17 Investor Rights Agreement between the registrant and LLCP. (Incorporated by reference to exhibit 99.7 to Schedule 13D filed by LLCP on July 10, 2008)

10.18 FMV Warrant dated June 30, 2008, issued to LLCP. (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.)

10.19 N Warrant dated June 30, 2008, issued to LLCP. (Incorporated by reference to the FMV warrant appearing as pages B-1 through B-13 of the preliminary proxy statement filed by the registrant on July 28, 2008.)

10.20 Amended and Restated Note Purchase Agreement dated July 10, 2008 among the registrant, its subsidiary Folio Funding II, LLC, and Citigroup Financial Products Inc.

10.21 Amended and Restated Indenture dated July 10, 2008 among Folio Funding II, LLC, Citigroup Financial Products Inc. and Wells Fargo Bank, N.A.

10.22 Performance Guaranty dated July 10, 2008 issued by the registrant in favor of Citigroup Financial Products Inc.

10.23 Warrant dated July 10, 2008, issued to Citigroup Global Markets Inc.

31.1 Rule 13a-14(a) Certification of the Chief Executive Officer of the registrant.

31.2 Rule 13a-14(a) Certification of the Chief Financial Officer of the registrant.

32 Section 1350 Certifications.*

* These Certifications shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. These Certifications shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registration statement specifically states that such Certifications are incorporated therein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONSUMER PORTFOLIO SERVICES, INC.
(Registrant)

Date: August 8, 2008

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

Charles E. Bradley, Jr.
PRESIDENT AND CHIEF EXECUTIVE OFFICER
(Principal Executive Officer)

Date: August 8, 2008

By: /s/ JEFFREY P. FRITZ

Jeffrey P. Fritz
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
(Principal Financial Officer)

EXHIBIT 10.15.1

FIRST AMENDMENT TO SECURITIES PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO SECURITIES PURCHASE AGREEMENT is dated as of July 10, 2008 (this "AMENDMENT"), by and between CONSUMER PORTFOLIO SERVICES, INC., a California corporation (the "COMPANY"), and LEVINE LEICHTMAN CAPITAL PARTNERS IV, L.P., a Delaware limited partnership (the "PURCHASER").

R E C I T A L S

A. The Company and the Purchaser are parties to that certain Securities Purchase Agreement dated as of June 30, 2008 (as amended from time to time, the "SECURITIES PURCHASE AGREEMENT"), by and between the Company and the Purchaser pursuant to which, among other things, the Company issued and sold to the Purchaser, and the Purchaser purchased from the Company, the Securities, all on the terms and subject to the conditions set forth therein. Unless otherwise indicated, all capitalized terms used and not otherwise defined herein have the respective meanings ascribed to them in the Securities Purchase Agreement.

B. Pursuant to the terms of Section 2.6 of the Securities Purchase Agreement, on the date hereof, the Company is issuing and selling to the Purchaser, and the Purchaser is purchasing from the Company, the Term B Note (I.E., a Secured Senior Note Due 2013, in substantially the form of the Term A Note but in the principal face amount of $15,000,000).

C. In connection with the purchase of the Term B Note by the Purchaser, the parties wish to amend certain provisions of the Securities Purchase Agreement as provided herein.

A G R E E M E N T

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants, conditions and provisions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. PURCHASE AND SALE OF TERM B NOTE.

(a) AUTHORIZATION. The Company has authorized the issuance, sale and delivery to the Purchaser of the Term B Note.

(b) PURCHASE AND SALE OF TERM B NOTE. Subject to the terms and conditions contained herein and in the Securities Purchase Agreement, and in reliance upon the representations, warranties, covenants and agreements contained herein and the Securities Purchase Agreement, the Company hereby issues, sells and delivers to the Purchaser, and the Purchaser hereby purchases from the Company, the Term B Note. Concurrently herewith, the Company is

delivering to the Purchaser the Term B Note, duly executed by the Company, and the Purchaser is delivering to the Company the Term B Note Purchase Price (net of amounts permitted to be withheld by the Purchaser as contemplated in Section 2.6(c)(iv) of the Securities Purchase Agreement).

(c) USE OF PROCEEDS. Pursuant to Section 2.6(d) of the Securities Purchase Agreement, the parties agree that the proceeds to be received by the Company from the issuance and sale of the Term B Note hereunder shall be used (i) to repay certain Indebtedness owing to the Folio Funding II Noteholder, (ii) to pay the fees, costs and expenses associated with the transactions contemplated by this Amendment and the Securities Purchase Agreement and (iii) for general corporate purposes, PROVIDED no such proceeds shall be used for the direct or indirect benefit of any of the Excluded Subsidiaries.

2. AMENDMENTS TO SECURITIES PURCHASE AGREEMENT. Pursuant to Section 11.2 of the Securities Purchase Agreement, the Securities Purchase Agreement is hereby amended as follows:

(a) Section 1.1 (Definitions) of the Securities Purchase Agreement is hereby amended by adding the following new definitions to Section 1.1 in alphabetical order:

> "'FIRST AMENDMENT' shall mean a First Amendment to Securities Purchase Agreement dated as of July 10, 2008, between the Company and the Purchaser."
>
> "'FOLIO FUNDING II/CITIGROUP PERFORMANCE GUARANTY' shall mean that certain Performance Guaranty dated as of July 10, 2008, issued by the Company for the benefit of the Folio Funding II Noteholder and the other "Beneficiaries" (as defined therein), as amended from time to time subject to the terms herein."
>
> "'FOLIO FUNDING II/CITIGROUP WARRANT' shall mean that certain Warrant dated July 10, 2008, issued by the Company to Citigroup Global Markets Inc. (an Affiliate of the Folio Funding II Noteholder) entitling the holder thereof to purchase from the Company up to a total of 2,500,000 shares of Common Stock, subject to adjustment as provided therein, as in effect on such date of issuance."

(b) Section 1.1 (Definitions) of the Securities Purchase Agreement is hereby further amended by replacing the existing definitions of the following terms with the following new definitions of such terms, respectively:

> "'AGREEMENT' shall mean this Agreement, together with the Exhibits and Disclosure Schedules, as amended by the First Amendment, and as further amended from time to time."

"'FOLIO FUNDING II/CITIGROUP DOCUMENTS' shall mean, collectively, any and all agreements, instruments and other documents entered into or delivered in connection with the issuance by Folio Funding II of the Folio Funding II/Citigroup Notes and any amendments, restatements, supplements, replacements, renewals, restructurings, refinancings or other modifications thereof, including (i) the Folio Funding II/Citigroup Indenture, (ii) the Folio Funding II Sale and Contribution Agreement, (iii) the Folio Funding II/Citigroup Note Purchase Agreement, (iv) the Folio Funding II/Citigroup Notes, (v) the Folio Funding II/Citigroup Performance Guaranty, (vi) the Folio Funding II/Citigroup Warrant and (vii) a Termination Agreement dated as of July 10, 2008, among Folio Funding II, the Company, the Folio Funding II Noteholder and Wells Fargo Bank."

"'FOLIO FUNDING II/CITIGROUP INDENTURE' shall mean that certain Amended and Restated Indenture dated as of July 10, 2008, among Folio Funding II, as issuer, the Folio Funding II Noteholder, as administrative agent, and Wells Fargo Bank, as trustee, as amended from time to time subject to the terms herein."

"'FOLIO FUNDING II/CITIGROUP NOTE PURCHASE AGREEMENT' shall mean that certain Amended and Restated Note Purchase Agreement dated as of July 10, 2008, among Folio Funding II, as issuer and purchaser, the Company, as seller, and the Folio Funding II Noteholder, as note purchaser and administrative agent, as amended from time to time subject to the terms herein."

"'FOLIO FUNDING II/CITIGROUP NOTES' shall mean, collectively, (i) an Amended and Restated Class A-1 Term Note (No. A-1) dated July 10, 2008, issued by Folio Funding II in the principal amount of $10,000,000, and (ii) an Amended and Restated Class A-2 Term Note (No. A-1) dated July 10, 2008, issued by Folio Funding II in the principal amount of $60,000,000, each issued under the Folio Funding II/Citigroup Indenture, in each case as amended from time to time subject to the terms herein."

"'FOLIO FUNDING II SALE AND CONTRIBUTION AGREEMENT' shall mean that certain Amended and Restated Sale and Contribution Agreement dated as of July 10, 2008, between the Company, as seller, and Folio Funding II, as purchaser, as amended from time to time subject to the terms herein."

"'NOTES' shall mean, collectively, any and all notes or similar instruments evidencing any Indebtedness owing by the Company to the Purchaser or any Affiliate thereof and issued in connection with any Investment Documents, including the Term A Note and the Term B Note, in each case as amended from time to time. The term "NOTE" or "NOTES" shall also include, where applicable, any additional note or notes issued by the Company in connection with any Assignments or Participations thereof. The term 'NOTE' shall refer to any of the foregoing individually, as applicable."

"'REGISTRATION RIGHTS AGREEMENT' shall mean that certain Registration Rights Agreement dated as of June 30, 2008, between the Company and the Purchaser, as amended from time to time."

"SUBSIDIARY GUARANTY" shall mean that certain Subsidiary General and Continuing Guaranty dated as of June 30, 2008, made by the Guarantors (as defined therein) in favor of the Purchaser and the other Beneficiaries (as defined therein), as amended from time to time.

"'TERM A NOTE' shall mean that certain Secured Senior Note Due 2013 dated June 30, 2008, issued by the Company to the Purchaser in the principal face amount of $10,000,000, as amended from time to time."

"'TERM B NOTE' shall mean that certain Secured Senior Note Due 2013 dated July 10, 2008, issued by the Company to the Purchaser in the principal face amount of $15,000,000, as amended from time to time."

"'TERM B NOTE CLOSING DATE' shall mean July 10, 2008."

(c) Clause (d) of Section 3.3 (Conflicts with Other Instruments; Existing Defaults; Ranking) of the Securities Purchase Agreement is hereby amended to read in its entirety as follows:

"(d) All Indebtedness evidenced by the Term A Note, the Term B Note and any other Note constitutes Senior Indebtedness of the Company and, other than Indebtedness, if any, arising under the Folio Funding II/Citigroup Performance Guaranty, no Indebtedness of the Company ranks PARI PASSU with the Indebtedness evidenced by the Term A Note, the Term B Note and any other Note. Without limiting the generality of the foregoing, all Indebtedness evidenced by the Term A Note, the Term B Note and any other Note, and all other Obligations, constitute "Senior Debt" as defined in the Renewable Subordinated Notes Indenture. There are no agreements, indentures, instruments or other documents to which the Company or any of its Subsidiaries is a party or by which it or they may be bound that directly or indirectly requires or results in the subordination in any manner of any Indebtedness under the Term A Note, the Term B Note or any other Note or any of the other Obligations to the repayment of any other existing or future Indebtedness of the Company or any of its Subsidiaries."

(d) Section 1.4 (Headings; Construction and Interpretation; Fair Meaning) of the Securities Purchase Agreement is hereby amended to read in its entirety as follows:

"1.4 HEADINGS; CONSTRUCTION AND INTERPRETATION; FAIR MEANING. The headings in this Agreement and any other Investment Document are for convenience of reference only, do not constitute a part of this Agreement or such other Investment Document and are not to be considered in construing or interpreting this Agreement or such other Investment Document. All section, sub-section, preamble, recital, exhibit, schedule, disclosure schedule, annex, clause and party references contained in this Agreement or such other Investment Document are to this Agreement or such other Investment Document, as the case may be, unless otherwise stated. Unless the context of this Agreement or any other Investment Document clearly requires otherwise, the use of the word "including" is not limiting and the use of the word "or" has the inclusive meaning represented by the phrase "and/or." Unless otherwise specified, the plural includes the singular and vice versa. References in this Agreement or any other Investment Document to any agreement, other document or law "as amended" or "as amended from time to time," or amendments of any document or law, shall include any amendments, restatements, supplements, replacements, renewals, restructurings, refinancings or other modifications. Wherever required by the context of this Agreement or any other Investment Document, the masculine, feminine and neuter gender shall each include the other. This Agreement and each other Investment Document has been negotiated by, and entered into between or among, Persons that are sophisticated and knowledgeable in business matters and that have been represented by legal counsel. Accordingly, any rule of law or legal decision that would require interpretation of this Agreement or any other Investment Document against the party that drafted it shall not be applicable and is irrevocably and unconditionally waived. All provisions of this Agreement and each other Investment Document shall be construed in accordance with their fair meaning, and not strictly for or against any party."

(e) Clause (m) of Section 8.3 (Information Reporting Requirements) of the Securities Purchase Agreement is hereby amended to read in its entirety as follows:

"(m) Immediately upon the occurrence thereof, written notice if (i) any "back-up servicer," "sub-servicer" or similar servicer resigns or is terminated or replaced with respect to any Securitization Transaction or (ii) any holder of the Folio Funding II/Citigroup Indebtedness makes any call or demand for payment of any amount under the Folio Funding II/Citigroup Performance Guaranty or seeks to enforce any right to make such a call or demand in any legal proceeding."

(f) Clause (a) of Section 8.8 (Insurance) of the Securities Purchase Agreement is hereby amended to read in its entirety as follows:

"(a) The Company shall, and cause each Subsidiary to, maintain with financially sound and reputable insurers policies of insurance, coverage amounts and related terms and conditions covering the Company and the Subsidiaries normally maintained by companies engaged in the same or similar

business as the Company and the Subsidiaries, or any one of them, against loss, damage and liability and such other policies of insurance and coverage amounts as may be reasonably requested by the Purchaser or the Purchaser. Such insurance shall include comprehensive general liability, fire and extended coverage, property damage, workers' compensation, flood insurance (if customarily maintained in locations in which any Company Party is located), business interruption insurance (either for loss of revenues or for additional expenses), directors and officers liability insurance and, if requested by the Purchaser, employment practice liability insurance. So long as any Notes remain outstanding, all such insurance policies shall include the Required Insurance Endorsements.

(g) Section 8.8 (Insurance) of the Securities Purchase Agreement is hereby amended by adding the following new clause (d) at the end of such Section:

"(d) If the Company and the Purchaser are named as joint loss payees on or with respect to any policies of insurance and any insurance proceeds under any such policies are paid to the Company, such proceeds shall be held by the Company in trust for the benefit of the Purchaser and the Company shall remit such proceeds to the Purchaser immediately upon receipt."

(h) Article 8 (Affirmative Covenants) of the Securities Purchase Agreement is hereby amended by adding the following new Section 8.25 to the end of such Article:

"8.25 NO DEPOSIT ACCOUNTS WITH CERTAIN PERSONS. None of the Company or any of its Subsidiaries shall at any time maintain any deposit account, securities account or similar account with any Person that now has or hereafter acquires any right of setoff under the Folio Funding II/Citigroup Documents, and no property of the Company or any of its Subsidiaries (other than Folio Funding II) shall at any time be in the possession or under the control of any such Person. In the event that any such Person at any time holds, maintains or acquires any interest in any such deposit account, securities account or similar account, the Company shall, as soon as practicable but not more than ten (10) days following the acquisition by such Person of such interest, close (or cause the closure of) all such deposit accounts, securities accounts or similar accounts, as the case may be, and transfer any and all Cash, securities or other assets or funds held in such account(s) to a deposit account, securities account or similar account, as applicable, with an institution that does not have any such right of setoff and is a party to a Control Agreement in favor of the Purchaser that covers such deposit account, securities account or similar account."

(i) Section 9.1 (Limitations on Indebtedness) of the Securities Purchase Agreement is hereby amended by (i) replacing the period (".") at the end of clause (g) thereof with "; and" and (ii) adding the following new clause (h):

"(h) To the extent any obligations of the Company under the Folio Funding II/Citigroup Performance Guaranty constitute Indebtedness, any such Indebtedness under the Folio Funding II/Citigroup Performance Guaranty as it exists as of the Term B Note Closing Date."

(j) Clause (a) of Section 9.4 (Limitations on Restricted Payments) of the Securities Purchase Agreement is hereby amended by (i) deleting the "or" at the end of clause (iii) thereof, (ii) replacing the period (".") at the end of clause (iv) thereof with "; or" and (iii) adding the following new clause (v):

"(v) "(A) any prepayment of the principal balance of the Folio Funding II Indebtedness occurring on the Term B Note Closing Date pursuant to the Folio Funding II Documents and (B) scheduled payments of principal of or interest on the Folio Funding II/Citigroup Indebtedness notwithstanding that the Folio Funding II Noteholder holds Equity Interests in the Company."

(k) Clause (i) of clause (c) of Section 10.1 (Events of Default) of the Securities Purchase Agreement is hereby amended by replacing the reference therein to "CLAUSES (A), (B), (H), (J), (K) or (L) of SECTION 8.3 (Informational Reporting Requirements);" with the following:

"CLAUSES (a), (b), (h), (j), (k), (l) or (m) of SECTION 8.3 (Informational Reporting Requirements);"

(l) Sub-clause (ii) under clause (g) of Section 10.1 (Events of Default) of the Securities Purchase Agreement is hereby amended in its entirety to read as follows:

"(ii) Any breach or default (other than as provided in CLAUSE (I) above or clause (v) below) (or other event or condition) shall occur and be continuing under any agreement, indenture or instrument evidencing or governing any Indebtedness set forth in CLAUSE (I) above, if the effect of such breach or default (or such other event or condition) is to cause, or to permit the holder or holders of such other Indebtedness to cause (upon the giving of notice or the passage of time or both), such other Indebtedness to mature or become or be declared due and payable, or required to be prepaid, redeemed, purchased or defeased (or an offer of prepayment, redemption, purchase or defeasance is required to be made) prior to its stated maturity, unless such breach or default has been waived within ten (10) days following such breach or default by the Person or Persons entitled to give such waiver; or"

(m) Clause (g) of Section 10.1 (Events of Default) of the Securities Purchase Agreement is hereby amended by adding the following new clause (v) at the end of such clause:

"(v) Any holder of the Folio Funding II/Citigroup Indebtedness shall make any call or demand in writing for payment of any amount under the Folio Funding II/Citigroup Performance Guaranty or shall seek to enforce any right to make any call or demand for any such payment in any legal proceeding; or"

(n) Clause (vii) under the paragraph immediately succeeding clause (w) of Section 10.1 (Events of Default) of the Securities Purchase Agreement is hereby amended to read in its entirety as follows:

"(vii) in the case of clause (g)(i) above, immediately prior to the close of business on the day on which such payment was due; or in the case of clause (g)(ii) above, immediately prior to the close of business on the tenth day following such breach or default if such breach or default has not been waived by the Person or Persons entitled to give such waiver; or in the case of clause (g)(iii) above, immediately prior to the close of business on the day that such lessor retakes possession of the leased property or initiates legal proceedings to repossess; or in the case of clause (g)(iv)(A) above, immediately prior to the close of business on the date upon which FSA forecloses on its collateral, or as of 12:00 p.m. (noon) (Los Angeles time) on such thirty-first day, or immediately prior to the close of business on the date upon which FSA exercises any such rights, powers and remedies, as applicable; or in the case of clause (g)(iv)(B) above, immediately prior to the close of business on the day such default or event of default occurs (or if there is a grace period therefor, the day that such grace period expires and the default or event of default shall not have been previously waived in writing or cured); or in the case of clause (g)(v) above, immediately upon the making of any such call or demand or the taking of any action to enforce any such right in any legal proceeding; or"

(o) Each of the Disclosure Schedules to the Securities Purchase Agreement listed on EXHIBIT A attached hereto is hereby amended by the corresponding Disclosure Schedule attached to such EXHIBIT A.

3. CLOSING DELIVERIES. Pursuant to Section 2.6 of the Securities Purchase Agreement, concurrently herewith:

(a) CLOSING DOCUMENTS. The Company is delivering to the Purchaser the following closing documents (together with this Amendment and the Exhibits attached hereto, the "TERM B NOTE DOCUMENTS"):

(i) The Term B Note, duly executed by the Company; and

(ii) An Acknowledgment and Affirmation of Subsidiary Guaranty and Subsidiary Collateral Documents, in form and substance satisfactory to the Purchaser, duly executed by each Subsidiary Guarantor.

(b) OPINION OF COUNSEL. (i) Andrews & Kurth LLP, special counsel to the Company Parties, is delivering to the Purchaser (A) a legal opinion letter, addressed to the Purchaser and dated as of the date hereof, in accordance with Section 2.6 (c)(vii) of the Securities Purchase Agreement, and (B) written evidence that the Purchaser may rely on the "true sale and non-consolidation" legal opinion letter being rendered by Andrews & Kurth LLP to the Folio Funding II Noteholder in connection with the restructuring of the Folio Funding II Indebtedness, and (ii) Mark A. Creatura, Esq., General Counsel to the Company Parties, is delivering to the Purchaser a legal opinion letter, in form and substance satisfactory to the Purchaser, addressed to the Purchaser and dated as of the date hereof.

(c) FOLIO FUNDING II/CITIGROUP DOCUMENTS. The Company is delivering to the Purchaser true, correct and complete copies of any and all Folio Funding II/Citigroup Documents being executed and delivered in connection with the restructuring of the Folio Funding II/Citigroup Indebtedness, as contemplated by Section 2.6(c)(viii) of the Securities Purchase Agreement.

(d) CLOSING CERTIFICATES.

(i) SOLVENCY CERTIFICATE. The Company is delivering to the Purchaser a Solvency Certificate, in form and substance satisfactory to the Purchaser, duly executed by the President and Chief Executive Officer and the Chief Financial Officer of the Company.

(ii) SECRETARY'S CERTIFICATES. Each of the Company and its Subsidiaries is delivering to the Purchaser a Secretary Certificate, in form and substance satisfactory to the Purchaser, duly executed by the Secretary of each such Person, together with any attachments thereto, respectively.

(e) GOOD STANDING. The Purchaser is receiving written evidence that each of the Company and its Subsidiaries is in "good standing" in its state of incorporation or formation, as applicable, as of a recent practicable date.

(f) FEES AND EXPENSES. The Company is paying to the Purchaser, or reimbursing the Purchaser for, all actual and estimated fees, costs and expenses incurred by or on behalf of the Purchaser and described in Sections 2.6(c)(iv) and 7.5 of the Securities Purchase Agreement. All such amounts are being paid in immediately available funds to a bank account or accounts designated by the Purchaser or is being withheld by the Purchaser from the Term B Note Purchase Price as permitted under Section 2.6(c)(iv) of the Securities Purchase Agreement.

(g) FLOW OF FUNDS STATEMENT. The Purchaser and the Company are delivering a "flow of funds" statement, in form and substance satisfactory to the Purchaser, detailing the sources and uses of all proceeds to be received from the issuance and sale of the Term B Note.

4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. In order to induce the Purchaser to purchase the Term B Note and amend the Securities Purchase Agreement as provided herein, the Company hereby represents and warrants to the Purchaser as follows:

(a) ORGANIZATION AND GOOD STANDING. Each Company Party and Subsidiary is a corporation or limited liability company duly organized or formed, validly existing and in good standing under the laws of the state of its organization or formation. Each Company Party and Subsidiary has the requisite power and authority, and all material Operating Licenses, necessary to own or lease and operate its properties and assets and to carry on its business as now conducted and as proposed to be conducted, and is duly qualified or licensed to do business in each jurisdiction in which the character of the properties or assets owned, leased or operated by it or the nature of the activities conducted makes such qualification or licensing necessary, except where the failure to be so qualified or licensed would not reasonably be expected to have a Material Adverse Effect.

(b) AUTHORIZATION; BINDING OBLIGATIONS. Each Company Party has the requisite power and authority to execute, deliver, carry out and perform all of its obligations under each Term B Note Document to which it is a party, including, with respect to the Company, the power and authority to issue, sell and deliver the Term B Note being issued and sold by it hereunder. The execution, delivery and performance of each Term B Note Document to which each Company Party is a party, the issuance, sale and delivery by the Company of the Term B Note and the consummation of the other transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of each such Company Party, and by the members and the Board or managers of each such entity, as applicable. Each Term B Note Document has been duly executed and delivered by each Company Party that is a party thereto. Each Term B Note Document is a legal, valid and binding obligation of each Company Party that is a party thereto, enforceable against each such Company Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or conveyance or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and except as rights of indemnity or contribution may be limited by federal or state securities laws or the public policy underlying such law.

(c) CONFLICTS WITH OTHER INSTRUMENTS; EXISTING DEFAULTS; RANKING.

(i) The execution, delivery and performance by each Company Party of the Term B Note Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby do not (i) violate the Organizational Documents of any such Person, (ii) breach or violate, conflict with, cause a default under or give rise to a right of termination or a redemption or an acceleration of rights under, any Material Contract or (iii) breach or violate any Applicable Laws. Without limiting the generality of the foregoing, none of the terms of the Folio Funding II/Citigroup Documents (as such definition has been amended by this Amendment) breaches or violates, conflicts with, or causes a Default or an Event of Default under or gives rise to an acceleration of rights under, the Securities Purchase Agreement or any other Investment Document.

(ii) No Company Party or Subsidiary (other than an Excluded Subsidiary) is in default, breach or violation of (i) its Organizational Documents, as amended through the date hereof, (ii) any Material Contract to which it is party or (iii) any Applicable Laws.

(iii) There are no restrictions or limitations in any Material Contract which prohibit or restrict (i) the issuance and sale of the Term B Note as contemplated by this Amendment, (ii) any merger, sale of assets or other event which would cause a Change in Control or (iii) any other financings by any Company Party, including any public or private debt or equity financings.

(iv) All Indebtedness evidenced by the Term A Note, the Term B Note and any other Note constitutes Senior Indebtedness of the Company and, other than Indebtedness, if any, arising under the Folio Funding II/Citigroup Performance Guaranty, no Indebtedness of the Company ranks PARI PASSU with the Indebtedness evidenced by the Term A Note, the Term B Note and any other Note. Without limiting the generality of the foregoing, all Indebtedness evidenced by the Term A Note, the Term B Note and any other Note, and all other Obligations, constitute "Senior Debt" as defined in the Renewable Subordinated Notes Indenture. There are no agreements, indentures, instruments or other documents to which the Company or any of its Subsidiaries is a party or by which it or they may be bound that directly or indirectly requires or results in the subordination in any manner of any Indebtedness under the Term A Note, the Term B Note or any other Note or any of the other Obligations to the repayment of any other existing or future Indebtedness of the Company or any of its Subsidiaries.

(v) The Renewable Subordinated Notes constitute Subordinated Indebtedness of the Company.

(vi) No Trigger Event or Insurance Agreement Event of Default has occurred and is continuing.

(d) CONSENTS. No Company Party or any Subsidiary or Affiliate thereof is required to obtain any Consent in connection with execution, delivery or performance of this Amendment or any other Term B Note Document or the consummation of the transactions contemplated hereby or thereby, including, without limitation, the issuance, sale and delivery of the Term B Note, from (a) any Governmental Authority, (b) any trustee, Credit Enhancer, rating agency or other party to any Securitization Transaction or (c) any other Person, other than those Consents that have been previously obtained or made by the Company Parties and except where the failure to obtain or make such Consent could not have a Material Adverse Effect.

(e) OTHER REPRESENTATIONS AND WARRANTIES. After giving effect to the amended Disclosure Schedules attached as EXHIBIT A, each of the representations and warranties made by the Company Parties (or any of them) in the Securities Purchase Agreement and the Collateral Documents, as the case may be, was true and correct in all material respects as of the date made, and is true and correct in all material respects as of the date hereof, with the same effect as if made on and as of the date hereof.

(f) NO DEFAULT. No Default or Event of Default has occurred and is continuing or will occur as a result of the execution and delivery of this Amendment or the other Term B Note Documents or the consummation of the other transactions contemplated hereby or thereby, including the issuance and sale of the Term B Note.

(g) NOTE BALANCE. The outstanding principal balance and "Maturity Date" of the Notes that remain unpaid immediately prior to the date hereof are as follows:

NOTE	OUTSTANDING PRINCIPAL BALANCE	MATURITY DATE
Term A Note.....	$10,000,000.00	June 30, 2013
TOTAL	$10,000,000.00	

(h) NO MATERIAL ADVERSE CHANGE. No Material Adverse Change has occurred since December 31, 2007 or, except as set forth on Schedule 3.8(b) to the Securities Purchase Agreement, will occur as a result of the execution and delivery of this Amendment or the other Term B Note Documents or the consummation of the other transactions contemplated hereby or thereby, including the issuance and sale of the Term B Note.

(i) COLLATERAL DOCUMENTS. The Liens granted in favor of the Purchaser under the Company Collateral Documents constitute valid, enforceable and continuing first priority security interests and Liens in, on and to the "Collateral" under the Company Collateral Documents and secure the payment and performance in full of all Obligations, including all Indebtedness under the Term A Note and the Term B Note.

(j) STATUS OF FOLIO FUNDING II. The restructuring of the Folio Funding II/Citigroup Indebtedness has not resulted and will not result in the recharacterization of the sales contemplated by the Folio II Sale and Contribution Agreement as secured financings. Folio Funding II has observed and complied with, and shall observe and comply with, all applicable legal requirements for the recognition of Folio Funding II as a legal entity separate and apart from its Affiliates, including those requirements set forth in Section 9(b)(iv) of the Limited Liability Company Agreement of Folio Funding II. The business, assets and liabilities of Folio Funding II are separate and distinct from those of its Affiliates, and have been and shall be clearly and consistently disclosed as such.

(k) NO DEPOSIT ACCOUNTS WITH CERTAIN PERSONS. None of the Company or any of its Subsidiaries (other than Folio Funding II) maintains any deposit account, securities account or similar account with any Person that has any right of setoff under the Folio Funding II/Citigroup Documents, and no property of the Company or any of its Subsidiaries (other than Folio Funding II) is in the possession or under the control of any such Person.

(l) REVISED PRO FORMA CLOSING BALANCE SHEET. Attached as EXHIBIT B hereto is a true, correct and complete copy of a consolidated balance sheet of the Company and its Subsidiaries as of May 31, 2008, as adjusted to give PRO FORMA effect to (i) the issuance and sale of the Securities, the

issuance and sale of the Term B Note and the consummation of the other transactions contemplated by the Securities Purchase Agreement and this Amendment and (ii) the restructuring of the Folio Funding II/Citigroup Indebtedness pursuant to the Folio Funding II/Citigroup Documents (as such term is amended in this Amendment), in each case as if all such transactions had occurred on such date (the "PRO FORMA CLOSING BALANCE SHEET"), together with footnotes describing the PRO FORMA adjustments and the assumptions underlying the Pro Forma Closing Balance Sheet. The Pro Forma Closing Balance Sheet properly gives effect to the application of the PRO FORMA adjustments described therein and contemplated herein and fairly presents in all material respects the consolidated financial position of the Company and its Subsidiaries on a PRO FORMA basis as of such date. All PRO FORMA adjustments and assumptions included in the Pro Forma Closing Balance Sheet were made in good faith and are reasonable under the circumstances. After due inquiry, no Key Employee is aware of any fact or other information that would lead him to believe that such PRO FORMA adjustments or assumptions are incorrect or misleading in any respect

5. REPRESENTATIONS AND WARRANTIES OF PURCHASER. The Purchaser hereby represents and warrants to the Company that:

(a) The Purchaser is acquiring the Term B Note for its own account, for investment purposes, and not with a view to or for sale in connection with any distribution thereof in violation of any federal or applicable state securities laws.

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

6. RELEASE.

(a) The Company, for itself and on behalf of the Subsidiary Guarantors and its and their respective successors, assigns, and present and future stockholders, officers, directors, Affiliates, employees, agents and attorneys (collectively, the "RELEASING PARTIES"), hereby remises, releases and forever discharges the Purchaser and its present and former Affiliates, officers, directors, partners (general and limited), stockholders, members, managers, employees, agents, attorneys, successors and assigns, from and against any and all claims, rights, actions, causes of action, suits, liabilities, defenses, damages, losses, costs and expenses (including attorneys' fees), of whatever nature, type or description, that are based upon, relate to or arise out of any facts, acts, omissions, events or circumstances existing or occurring

on or prior to the date hereof, whether arising out of or related to this Amendment, the Securities Purchase Agreement, the Notes, the Guaranties, the Collateral Documents or any other Investment Document, any of the transactions contemplated hereby or thereby, the administration or enforcement of the Obligations or any act, omission or event occurring in connection herewith or therewith, in each case whether known or unknown, existing or potential or suspected or unsuspected.

(b) The Company, for itself and on behalf of the other Releasing Parties, waives any and all claims, rights and benefits it may have under any law of any jurisdiction that would render ineffective a release made by a creditor of claims that the creditor does not know or suspect to exist in its favor at the time of executing the release and that, if known by it, would have materially affected its settlement with the applicable debtor. The Company, for itself and on behalf of the other Releasing Parties, acknowledges that it is aware of the following provisions of section 1542 of the California Civil Code:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

(c) The Company, for itself and on behalf of the other Releasing Parties, expressly and voluntarily waives each and all claims, rights, or benefits it has or may have under section 1542 of the California Civil Code, or any other similar law of any other jurisdiction, to the full extent that it may lawfully waive such claims, rights and benefits in connection with this release. The Company, for itself and on behalf of the other Releasing Parties, acknowledges that (a) it has been represented by independent legal counsel of its own choice throughout all of the negotiation that preceded the execution of this Amendment and that it has executed this Amendment after receiving the advice of such independent legal counsel, and (b) it and its respective counsel have had an adequate opportunity to make whatever investigation or inquiry they deem necessary or desirable in connection with the release contained in this SECTION 6.

(d) No claim shall be made by the Company or any other Releasing Party against the Purchaser, or any Affiliates, officers, directors, partners (general and limited), stockholders, members, managers, employees, agents, attorneys, successors and assigns of the Purchaser, for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or under any other theory of liability arising out of or related to any of the matters being released under this SECTION 6. The Company, for itself and on behalf of the other Releasing Parties, hereby waives, releases and agrees not to sue upon any claim for such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

7. CERTAIN CONSENTS BY THE PURCHASER.

(a) Pursuant to Section 6.1 of the Registration Rights Agreement, the Purchaser hereby consents to the grant by the Company of the registration rights described in Section 10 of the Folio Funding II/Citigroup Warrant to the holder thereof.

(b) The Purchaser hereby consents to the amendments to the related Securitization Transaction Documents being entered into on the date hereof as contemplated by the Folio Funding II/Citigroup Documents to the extent that such amendments (i) alter the payment priorities in a manner that will reduce the amounts payable to the Company or any Subsidiary in violation of clause (c) of Section 9.10 of the Securities Purchase Agreement or (ii) cause the Company to become contingently liable for the related Indebtedness in violation of clause (b)(ii) of Section 9.11 of the Securities Purchase Agreement. In addition, the Purchaser hereby waives any breach of Sections 9.10 and 9.11 of the Securities Purchase Agreement that would result from the Company's consummation on the date hereof of the transactions contemplated by the terms of the Folio Funding II/Citigroup Documents as they exist on the date hereof.

The consents provided for in this SECTION 7 shall be limited solely to the matters expressly described therein, respectively, and shall not be construed or deemed to apply to any other present, or any future, transaction or matter.

8. CONFIRMATION; FULL FORCE AND EFFECT. The amendments set forth in SECTION 2 amend the Securities Purchase Agreement on and as of the date hereof, and the Securities Purchase Agreement shall remain in full force and effect, as amended thereby, from and after the date hereof in accordance with its terms. The Company hereby ratifies, approves and affirms in all respects each of the Securities Purchase Agreement, as amended hereby, the Notes, the Collateral Documents (including the Liens granted in favor of the Purchaser under the Collateral Documents) and each of the other Investment Documents, the terms and other provisions hereof and thereof and the Obligations hereunder and thereunder.

9. NO OTHER AMENDMENTS. This Amendment is being delivered without prejudice to the rights, remedies or powers of the Purchaser under or in connection with the Securities Purchase Agreement, the Notes, the Guaranties, the Collateral Documents and the other Investment Documents, Applicable Laws or otherwise and, except as expressly provided in SECTION 2, shall not constitute or be deemed to constitute an amendment or other modification of, or a supplement to, the Securities Purchase Agreement or any Investment Document or the obligations of the Company Parties thereunder. In addition, except as expressly provided in SECTION 7(b), nothing contained in this Amendment or any other Term B Note Document is intended to constitute, or shall be construed as, a waiver of any Default, Event of Default or other breach or violation of the Securities Purchase Agreement, the Notes, the Guaranties, the Collateral Documents or any other Investment Document, whether past, present or future, or a forbearance by the Purchaser of any of its rights, remedies or powers against the Company Parties (or any of them) or the Collateral. The Purchaser hereby expressly reserves all of its rights, powers and remedies under or in connection with the Securities Purchase Agreement, the Notes, the Guaranties, the Collateral Documents and the other Investment Documents, whether at law or in equity, including the right to declare all Obligations to be due and payable.

10. MISCELLANEOUS PROVISIONS.

(a) ENTIRE AGREEMENT; SUCCESSORS AND ASSIGNS. The Term B Note Documents, the Securities Purchase Agreement and the other Investment Documents constitute the entire understanding and agreement with respect to the purchase and sale of the Term B Note and supersede all other prior oral and written, and all contemporaneous oral, agreements, negotiations, discussions and understandings with respect thereto. This Amendment shall inure to the benefit of, and be binding upon, the parties and their respective successors and permitted assigns.

(b) GOVERNING LAW. IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE (WITHOUT REGARD TO THE CHOICE OF LAW OR CONFLICTS OF LAW PROVISIONS THEREOF) AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

(c) COUNTERPARTS. This Amendment and each other Term B Note Document may be executed in any number of counterparts and by facsimile transmission, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

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

COMPANY

CONSUMER PORTFOLIO SERVICES, INC.,
a California corporation

By: /s/ Jeffrey P. Fritz

Jeffrey P. Fritz
Senior Vice President - Accounting and
Chief Financial Officer

PURCHASER

LEVINE LEICHTMAN CAPITAL PARTNERS, INC.,
a California corporation

On behalf of LEVINE LEICHTMAN CAPITAL PARTNERS IV, L.P., a Delaware limited partnership

By: /s/ Stephen J. Hogan

Stephen J. Hogan
Chief Financial Officer

EXHIBIT 10.20

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AMENDED AND RESTATED NOTE PURCHASE AGREEMENT
(CLASS A-1 TERM NOTES AND CLASS A-2 TERM NOTES),

dated as of July 10, 2008,

among

FOLIO FUNDING II, LLC

as Issuer and Purchaser,

CONSUMER PORTFOLIO SERVICES, INC.,

as Seller,

CITIGROUP FINANCIAL PRODUCTS INC.,

as Note Purchaser and Administrative Agent

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AMENDED AND RESTATED NOTE PURCHASE AGREEMENT

THIS AMENDED AND RESTATED NOTE PURCHASE AGREEMENT, dated as of July 10, 2008 (as further amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof, this "AGREEMENT"), is made among FOLIO FUNDING II, LLC, a Delaware limited liability company (the "ISSUER"), CONSUMER PORTFOLIO SERVICES, INC., a California corporation ("CPS" or the "SELLER"), and CITIGROUP FINANCIAL PRODUCTS INC., a Delaware corporation, as Note Purchaser (in such capacity, together with any successors in such capacity, the "NOTE PURCHASER") and Administrative Agent (in such capacity, together with any successors in such capacity, the "ADMINISTRATIVE AGENT").

BACKGROUND

1. In connection with a securitization transaction, the Issuer, the Seller, the Note Purchaser and the Administrative Agent have previously entered into that certain Note Purchase Agreement, dated as of July 11, 2007 (the "ORIGINAL NOTE PURCHASE AGREEMENT").

2. Section 9.01 of the Original Note Purchase Agreement permits the Issuer, the Seller, the Administrative Agent and the Note Purchaser to amend the Original Note Purchase Agreement.

3. The Issuer, the Seller, the Note Purchaser and the Administrative Agent intend to change certain terms of the securitization transaction and to amend and restate the Original Note Purchase Agreement in its entirety to, among other things, reflect a prepayment of the Initial Class A-1 Notes (as defined below) in order to reduce the outstanding principal amount of the Initial Class A-1 Notes to $10,000,000, such prepayment to be comprised of one or more cash payments and Warrants. For purposes of determining the value of the Warrants with respect to such prepayment, the value of such shares will be calculated using the average closing price of CPS common stock for the seven days prior to the Effective Date.

4. On the Initial Closing Date, the Issuer and Wells Fargo Bank, National Association, a national banking association, as trustee (together with its successors in trust thereunder as provided in the Indenture referred to below, the "TRUSTEE"), entered into the Indenture, dated as of July 11, 2007 (the "ORIGINAL INDENTURE"), pursuant to which the Issuer issued two classes of notes designated as Class A-1 Variable Funding Notes (the "INITIAL CLASS A-1 NOTES") and Class A-2 Term Notes (the "INITIAL CLASS A-2 NOTES").

5. Contemporaneously with the execution and delivery of this Agreement, the Original Indenture shall be amended and restated by the parties thereto (as the same may be further amended, supplemented, restated or otherwise modified from time to time in accordance with the terms thereof, the "INDENTURE") in order to provide for, among other things, the amendment and restatement of the Initial Class A-1 Notes in order to redesignate them as Class A-1 Term Notes (the "CLASS A-1 NOTES") and the amendment and restatement of the Initial Class A-2 Term Notes (the "CLASS A-2 NOTES" and, together with the Class A-1 Notes, the "NOTES").

6. The security for the Notes includes Residual Interest Assets representing residual interests in securitizations of motor vehicle retail installment contracts and installment promissory notes. The Notes are secured by the Residual Interest Assets together with the other Collateral, which have been pledged by the Issuer to the Trustee pursuant to the Indenture.

7. The Issuer acquired the Residual Interest Assets together with the other Conveyed Property from CPS pursuant to the Sale and Contribution Agreement dated as of July 11, 2007 (the "ORIGINAL SALE AND CONTRIBUTION AGREEMENT"), by and between the Issuer, as purchaser, CPS, as seller (in such capacity, the "SELLER").

8. Contemporaneously with the execution and delivery of this Agreement, the Original Sale and Contribution Agreement shall also be amended and restated by the parties thereto (as the same may be further amended, supplemented, restated or otherwise modified from time to time in accordance with the terms thereof, the "SALE AND CONTRIBUTION AGREEMENT").

9. CPS has joined in this Agreement to confirm certain representations, warranties and covenants made by it as Seller for the benefit of the Note Purchaser, the Noteholders and the Administrative Agent.

Now, therefore, in consideration of the foregoing, other good and valuable consideration, and the mutual covenants and agreements contained herein, the parties hereto desire to amend and restate the Original Note Purchase Agreement and agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01 DEFINITIONS. As used in this Agreement and unless the context requires a different meaning, capitalized terms used but not defined herein (including the preamble and the recitals hereto) shall have the meanings assigned to such terms in Annex A hereto. The definitions of such terms are applicable to the singular as well as the plural form of such terms and to the masculine as well as the feminine and neuter genders of such terms:

ARTICLE II
PURCHASE AND SALE OF THE NOTES

SECTION 2.01 PURCHASE OF NOTES. On the terms and conditions set forth in the Original Indenture, the Original Sale and Contribution Agreement and the Original Note Purchase Agreement, and in reliance on the covenants, representations and agreements set forth therein, the Issuer issued and caused the Trustee to authenticate and deliver to the Note Purchaser the Initial Class A-1 Notes and the Initial Class A-2 Notes on the Initial Funding Date. On the terms and conditions set forth in the Indenture, the Sale and Contribution Agreement and this Agreement, and in reliance on the covenants, representations and agreements set forth herein and therein, the Initial Class A-1 Notes and the Initial Class A-2 Notes shall be amended and restated as of the Effective Date and the Issuer shall cause the Trustee to authenticate and deliver to the Note Purchaser the Notes on the Effective Date. The Notes shall be dated the Effective Date, registered in the name of the Note Purchaser, and duly authenticated in accordance with the provisions of the Indenture.

SECTION 2.02 TERM. The term of the Class A-1 Notes (the "CLASS A-1 TERM") shall be for a period commencing on the Initial Closing Date and ending on the Class A-1 Scheduled Maturity Date. The term of the Class A-2 Notes (the "CLASS A-2 TERM") shall be for a period commencing on the Initial Closing Date and ending on the Class A-2 Scheduled Maturity Date. The Class A-1 Term (if the Class A-1 Invested Amount has not previously been reduced to zero) and the Class A-2 Term may be extended one time by the Issuer for only an additional twelve months (a) upon written notice to the Administrative Agent, the Note Purchaser and the Trustee given not (i) more than 45 days' prior to the Originally Scheduled Termination Date and (ii) less than 20 days' prior to the Originally Scheduled Termination Date (such written notice to include an Officer's Certificate of each of the Issuer and CPS certifying that an Extension Breach shall not have occurred as of the date of such notice) ("EXTENSION NOTICE"), (b) upon the payment of a renewal fee in the amount equal to 1.00% of the Aggregate Invested Amount as of the Originally Scheduled Facility Termination Date, (c) so long as the following conditions precedent are satisfied on and as of the Originally Scheduled Facility Termination Date: (i) there shall not have occurred as of the Originally Scheduled Facility Termination Date any Extension Breach; (ii) there shall not have occurred since the date of this Agreement a Material Adverse Change; and (iii) there shall not have occurred since the date of this Agreement a Material Adverse Effect and (d) if, as of the Originally

Scheduled Facility Termination Date, neither the Issuer nor CPS has received notice from the Administrative Agent to the effect that all conditions precedent set forth in this Section 2.02 have not been satisfied. In addition, if within 5 Business Days after the delivery of the Extension Notice to the Administrative Agent, the Note Purchaser and the Trustee, the Issuer does not receive a confirmation from the Administrative Agent that it agrees that no Extension Breach has occurred as of the date of such Extension Notice, an Extension Breach shall be deemed to have occurred. Upon the extension of the Class A-1 Term and the Class A-2 Term pursuant to this Section 2.02, each of the Issuer and CPS shall be deemed to have made a representation and warranty to the effect that all conditions precedent to such extension have been satisfied as of the Originally Scheduled Termination Date.

ARTICLE III
INTEREST AND FEES

SECTION 3.01 INTEREST.

(a) The Class A-1 Notes shall bear interest during each Interest Period at the Class A-1 Note Interest Rate.

(b) The Class A-2 Notes shall bear interest during each Interest Period at the Class A-2 Note Interest Rate.

(c) Interest on the Notes with respect to each Interest Period shall be due and payable on the Settlement Date occurring immediately subsequent to such Interest Period in accordance with the provisions of the Indenture.

All computations of interest shall be made on the basis of a year of 360 days and the actual number of days elapsed. Whenever any payment of interest on or principal of any Note shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the amount of interest owed.

SECTION 3.02 FEES.

(a) The Issuer and the Seller shall jointly and severally pay or cause to be paid to the reasonable out-of-pocket expenses of the Note Purchaser and the Administrative Agent, including legal fees and disbursements, in accordance with and subject to SECTION 9.05. In addition, the Issuer shall pay or cause to be paid to the Administrative Agent a monthly fee equal to $2,083 (the "ADMINISTRATIVE AGENT FEE") pursuant to SECTION 8.5 of the Indenture, and when applicable, pursuant to Section 5.7 of the Indenture.

(b) If the Issuer prepays the Notes in whole or in part on or prior to the date which is 45 days prior to the Class A-2 Facility Termination Date, the Issuer shall pay or cause to be paid to the Noteholders a prepayment fee equal to 2.00% of the Invested Amount so prepaid (any such prepayment fee, an "PREPAYMENT Fee"). For the avoidance of doubt, the payment of the Required Noteholders' Principal Distributable Amount on any Settlement Date shall not constitute a prepayment for purposes of this Section.

SECTION 3.03 INCREASED COSTS, ETC. The Issuer agrees to reimburse the Note Purchaser for an increase in the cost of, or any reduction in the amount of any sum receivable by the Note Purchaser, including reductions in the rate of return on the Note Purchaser's capital, in respect of the Notes that arise in connection with any change in, or the introduction, adoption, effectiveness, interpretation reinterpretation or phase-in, in each case, after the Initial Funding Date, of any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other Governmental Authority, except for such changes with respect to increased capital costs and taxes which are governed by SECTIONS 3.05 and 3.06, respectively. Each such demand shall be provided to the Issuer in writing

and shall state, in reasonable detail, the reasons therefor and the additional amount required fully to compensate the Note Purchaser for such increased cost or reduced amount or return.

SECTION 3.04 FUNDING LOSSES. The Issuer agrees to indemnify each Party and to hold each Party harmless from any loss or reasonable expense (to the extent not otherwise paid as interest on the Notes) which such Party may sustain or incur as a consequence of the making of a principal payment with respect to a Note on a day that is not a Settlement Date or the making of any prepayment with respect to a Note with less than five (5) days prior written notice. This covenant shall survive the termination of this Note Purchase Agreement and the payment of all other amounts payable hereunder.

SECTION 3.05 INCREASED CAPITAL COSTS. If any change in, or the introduction, adoption, effectiveness, interpretation or reinterpretation or phase-in, in each case after the date hereof, of any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other Governmental Authority affects or would affect the amount of capital required or reasonably expected to be maintained by the Note Purchaser or any Person controlling the Note Purchaser and the Note Purchaser reasonably determines that the rate of return on its or such controlling Person's capital as a consequence of its commitment is reduced to a level below that which the Note Purchaser or such controlling Person would have achieved but for the occurrence of any such circumstance, then, in any such case after notice from time to time by the Note Purchaser to the Issuer, the Issuer shall pay to the Note Purchaser an incremental commitment fee sufficient to compensate the Note Purchaser or such controlling Person for such reduction in rate of return.

SECTION 3.06 TAXES. All payments by the Issuer of principal of, and interest on, the Notes and all other amounts payable hereunder (including fees) shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding in the case of the Note Purchaser, taxes imposed on or measured by its overall net income, overall receipts or overall assets and franchise taxes imposed on it by the jurisdiction in which the Note Purchaser is organized or is operating or any political subdivision thereof, in each case other than as a result of its entering into the Basic Documents (such non-excluded items being called "TAXES"). In the event that any withholding or deduction from any payment to be made by the Issuer hereunder is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Issuer will:

(a) pay directly to the relevant authority the full amount required to be so withheld or deducted;

(b) promptly forward to the Note Purchaser or its agent an official receipt or other documentation evidencing such payment to such authority; and

(c) pay to the Note Purchaser or its agent such additional amount or amounts as is necessary to ensure that the net amount actually received by the Note Purchaser will equal the full amount the Note Purchaser would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against the Note Purchaser with respect to any payment received by the Note Purchaser or its agent, the Note Purchaser or such agent may pay such Taxes and the Issuer will promptly upon receipt of prior written notice stating the amount of such Taxes pay such additional amounts (including any penalties, interest or expenses) as is necessary in order that the net amount received by such person after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount the Note Purchaser would have received had not such Taxes been asserted. The Note Purchaser shall make all reasonable efforts to avoid the imposition of any Taxes that would give rise to an additional payment under this SECTION 3.06.

In addition, the Issuer, agrees to pay, and authorizes the Administrative Agent to pay in its name, any stamp, documentary, excise or property tax, charges or similar levies imposed by any applicable Requirement of Law or Governmental Authority and all Liabilities with respect thereto (including by reason of any delay in payment thereof), in each case arising from the execution, delivery or registration of, or otherwise with respect to, any Basic Document or any transaction contemplated therein, but excluding in the case of the Note Purchaser, taxes imposed on or measured by its overall net income, overall receipts or overall assets and franchise taxes imposed on it by the jurisdiction in which the Note Purchaser is organized or is operating or any political subdivision thereof (such non-excluded items being called, collectively, "OTHER TAXES").

The Issuer shall reimburse and indemnify, within 30 days after receipt of demand therefor (with copy to the Administrative Agent), each Note Purchaser for all Taxes and Other Taxes (including any Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by such Note Purchaser and any Liabilities arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. A certificate of the Note Purchaser (or of the Administrative Agent on behalf of such Note Purchaser) claiming any compensation under this clause, setting forth the amounts to be paid thereunder and delivered to the Issuer with copy to the Administrative Agent, shall be conclusive, binding and final for all purposes, absent manifest error. In determining such amount, the Administrative Agent and such Note Purchaser may use any reasonable averaging and attribution methods.

If the Issuer fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Note Purchaser or its agent the required receipts or other required documentary evidence, the Issuer shall indemnify the Note Purchaser and its agent, if any, for any incremental Taxes, interest or penalties that may become payable by the Note Purchaser or its agent as a result of any such failure. For purposes of this SECTION 3.06, a distribution hereunder by the agent for the Note Purchaser shall be deemed a payment by the Issuer.

Upon the request of the Issuer, the Note Purchaser, if it is organized under the laws of a jurisdiction other than the United States, shall, prior to the initial due date of any payments hereunder and to the extent permissible under then current law, execute and deliver to the Issuer on or about the first scheduled payment date in each calendar year thereafter, one or more (as the Issuer may reasonably request) United States Internal Revenue Service Forms W-8ECI or Forms W-8BEN or such other forms or documents (or successor forms or documents), appropriately completed, as may be applicable to establish the extent, if any, to which a payment to the Note Purchaser is exempt from withholding or deduction of Taxes. The Issuer shall not, however, be required to pay any increased amount under this SECTION 3.06 to the Note Purchaser if the Note Purchaser fails to comply with the requirements set forth in this paragraph.

SECTION 3.07 DETERMINATION OF MARKET VALUE; MANDATORY PREPAYMENT. On any Business Day, (i) if the Aggregate Invested Amount of the Notes is equal to or greater than $65 million, (ii) upon and subsequent to the occurrence of any Event of Default or Principal Coverage Ratio Violation, (iii) upon and subsequent to a Shadow Rating Failure or (iv) upon the occurrence of any of the events set forth in Section 10(b) of the Warrant (each such Business Day, a "VALUATION DATE"), the Administrative Agent will have the right to value the Pledged Residual Interest Certificates on a mark-to-market basis. On any Valuation Date, on which (i) a Collateral Deficiency exists, (ii) the Aggregate Invested Amount of the Notes is equal to or greater than $65 million and (iii) there shall not have occurred on or prior to such date an Event of Default, a Principal Coverage Ratio Violation, a Shadow Rating Failure or any of the events set forth in Section 10(b) of the Warrant, the Issuer shall, not later than ten Business Days after its receipt of notice from the Administrative Agent of such Collateral Deficiency, prepay the Aggregate Invested Amount of the Notes sequentially by an amount equal to such Collateral Deficiency. On any other Valuation Date, in the event a Collateral Deficiency exists on such Valuation Date, the Issuer shall, not later than one Business Day after its receipt of notice from the Administrative Agent of such Collateral Deficiency, prepay the Aggregate Invested Amount of the Notes by an amount equal to such Collateral Deficiency. For the avoidance of doubt, the Administrative Agent shall have the right in its sole discretion, absent manifest error, to determine whether a Principal Coverage Ratio Violation has occurred and to calculate the Class A Principal Coverage Ratio and the Collateral Deficiency.

SECTION 3.08 ILLEGALITY; SUBSTITUTED INTEREST RATES. Notwithstanding any other provisions herein, (a) if any Requirement of Law or any change therein or in the interpretation or application thereof shall make it unlawful for the Note Purchaser to make or maintain any Notes at the LIBOR rate as contemplated by this Agreement, or (b) in the event that the Note Purchaser shall have determined (which determination shall be conclusive and binding upon the Issuer) that by reason of circumstances affecting the LIBOR interbank market neither adequate nor reasonable means exist for ascertaining the LIBOR rate, or (c) the Note Purchaser shall have determined (which determination shall be conclusive and binding on the Issuer) that the applicable LIBOR rate will not adequately and fairly reflect the cost to the Note Purchaser of maintaining or funding the Notes based on such applicable LIBOR rate (provided that the parties hereto acknowledge and agree that the Note Purchaser shall only make such determination if the published LIBOR rate used by the Note Purchaser does not accurately reflect the actual LIBOR rate), (x) the obligation of the Note Purchaser to make or maintain the Notes at the LIBOR rate shall forthwith be suspended and the Note Purchaser shall promptly notify the Issuer thereof (by telephone confirmed in writing) and (y) each Note then outstanding, if any, shall, from and including the date that is forty-five (45) days after the Issuer's receipt of notice from the Note Purchaser of the occurrence of any condition set forth in clauses (a), (b) or (c), or at such earlier date as may be required by law, until payment in full thereof, bear interest at the rate per annum equal to the greater of (i) the Prime Rate and (ii) the rate of interest (including the Applicable Margin) in effect on the date immediately preceding the date any event described in clause (a), (b) or (c) occurred (calculated on the basis of the actual number of days elapsed in a year of 360 days). If subsequent to such suspension of the obligation of the Note Purchaser to make or maintain the Notes at the LIBOR rate it becomes lawful for the Note Purchaser to make or maintain the Notes at the LIBOR rate, or the circumstances described in clause (b) or (c) above no longer exist, the Note Purchaser shall so notify the Issuer and its obligation to do so shall be reinstated effective as of the date it becomes lawful for the Note Purchaser to make or maintain the Notes at the LIBOR rate or the circumstances described in clause (b) or (c) above no longer exist.

ARTICLE IV
OTHER PAYMENT TERMS

SECTION 4.01 TIME AND METHOD OF PAYMENT. All amounts payable to the Note Purchaser hereunder or with respect to the Notes shall be made by wire transfer of immediately available funds in Dollars not later than 4:00 p.m., New York City time, on the date due. Any funds received after that time will be deemed to have been received on the next Business Day.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

SECTION 5.01 REPRESENTATIONS AND WARRANTIES OF THE ISSUER. (I) The Issuer made certain representations and warranties, on which (i) the Note Purchaser relied in purchasing the Notes, (ii) the Trustee relied in receiving a security interest in the Residual Interest Assets and the other Collateral related thereto under the Indenture and (iii) the Administrative Agent and the Note Purchaser relied in executing the Original Note Purchase Agreement on the Initial Closing Date. Such representations and warranties were made as of the Initial Closing Date, as of the Initial Funding Date and as of each Funding Date after the Initial Funding Date. In addition, the Issuer will make the following representations and warranties as of the Effective Date and as of each Settlement Date (other than Section 5.01(I)(l)), on which (i) the Administrative Agent and the Note Purchaser relied in executing this Agreement on the Effective Date and (ii) the Trustee relied in executing the Indenture on the Effective Date.

(a) SALE AND CONTRIBUTION AGREEMENT. Each of the representations and warranties of the Purchaser set forth in the Sale and Contribution Agreement is true and correct.

(b) OTHER OBLIGATIONS. The Issuer is not in default in the performance, observance or fulfillment of any obligation, covenant or condition in any of the Basic Documents to which it is a party or in any other agreement or instrument to which it is a party or by which it is bound.

(c) NO PUBLIC OFFERING OF THE NOTES. Neither the Issuer nor, to the best of the Issuer's knowledge after due inquiry, anyone acting on the Issuer's behalf, has offered, pledged, sold or otherwise disposed of any Note or any interest therein or solicited any offer to buy or accept a transfer, pledge or other disposition of any Note or any interest therein or otherwise approached or negotiated with respect to any Note or any interest therein, with any person in any manner, or made any general solicitation by means of general advertising or in any other manner, or taken any other action, which would constitute a public distribution of the Notes under the Securities Act, or which would render the disposition of any Note a violation of Section 5 of the Securities Act or any State securities laws, or require registration or qualification pursuant thereto.

(d) NO REGISTRATION UNDER THE SECURITIES ACT. Assuming the Note Purchaser is not purchasing the Notes with a view toward further distribution and that the Note Purchaser has not engaged in any general solicitation or general advertising within the meaning of the Securities Act, the offer and sale of the Notes in the manner contemplated by this Agreement is a transaction exempt from the registration requirements of the Securities Act, and the Indenture is not required to be qualified under the Trust Indenture Act.

(e) REGULATIONS T, U AND X. No proceeds of any Note will be used, directly or indirectly, by the Issuer for the purpose of purchasing or carrying any Margin Stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) or for the purpose of reducing or retiring any indebtedness that was originally incurred to purchase or carry Margin Stock or for any other purpose which might cause any Note to be a "purpose credit" within the meaning of Regulation U. The use of the proceeds from any Note will not violate or otherwise conflict with the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

(f) INVESTMENT COMPANY STATUS. The Issuer is not, nor will the consummation of the transactions contemplated by the Basic Documents cause the Issuer to be, an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "INVESTMENT COMPANY ACT"), or a company "controlled" by an investment company within the meaning of the Investment Company Act. The consummation of the transactions contemplated by the Basic Documents will not violate any provision of the Investment Company Act or any rule, regulation or order issued by the Securities and Exchange Commission thereunder. The Issuer is not subject to regulation under any applicable law (other than Regulation X of the Board of Governors of the Federal Reserve System) that limits its ability to incur Indebtedness.

(g) FULL DISCLOSURE. The information, reports, financial statements, exhibits, schedules, officer's certificates and other documents furnished by or on behalf of the Issuer to the Seller, the Note Purchaser, the Administrative Agent or the Trustee in connection with the negotiation, preparation, delivery or performance of this Agreement, the Notes, the Indenture, the Sale and Contribution Agreement and the other Basic Documents or included herein or therein or delivered pursuant hereto or thereto, taken as a whole, are true and correct (or, in the case of projections, are based on good faith reasonable estimates) on the date as of which such information is stated or certified and do not and will not contain an untrue statement of a material fact, or omit to state any material fact necessary to make the statements herein or therein contained, in the light of the circumstances under which they were made, not misleading. All such financial statements fairly present the financial condition of the Issuer as of the date specified therein (subject to normal year-end audit adjustments) all in accordance with GAAP.

(h) COLLATERAL SECURITY.

(i) The Issuer owns and will own, and has and will have good title to each item that it pledges as Collateral, free and clear of any and all Liens (including, without limitation, any tax liens), other than Liens created in favor of the Trustee pursuant to the Indenture or Liens that are released immediately prior to such pledge.

(ii) The Indenture is effective to create, as collateral security for the Notes, a valid and enforceable Lien on the Collateral in favor of the Trustee. No security agreement, financing statement or other public notice similar in effect with respect to all or any part of the Collateral is or will be on file or of record in any public office, except such as have been or may hereinafter be filed pursuant to this Agreement evidencing the Issuer Secured Parties' first priority Lien therein, or except such as shall be terminated as to the Collateral no later than immediately prior to the pledge of such Collateral to the Trustee in favor of the Issuer Secured Parties under this Agreement.

(iii) Upon filing of the financing statement delivered to the Administrative Agent and the Trustee by the Issuer on or prior to the Initial Funding Date with the Secretary of State of the State of Delaware (which financing statement was in proper form for filing in such jurisdiction and accurately described the Collateral), the Lien created pursuant to the Indenture constituted, and such Lien currently constitutes a perfected security interest in the Collateral in favor of the Trustee for the benefit of the Issuer Secured Parties, which Lien is and will be prior to all other Liens of all other Persons that may be perfected by filing a financing statement under Article 9 of the Uniform Commercial Code and which Lien is enforceable as such as against all other Persons.

(iv) Upon delivery of Residual Interest Certificates to the Trustee in accordance with Section 2.1(a) of the Sale and Contribution Agreement, the Lien created pursuant to the Indenture constituted, and such Lien currently constitutes, a perfected security interest in such Residual Interest Certificates in favor of the Trustee for the benefit of the Issuer Secured Parties, which Lien is and will be prior to all other Liens of all other Persons that may be perfected by possession of such Residual Interest Certificates under Article 9 of the Uniform Commercial Code and which Lien is enforceable as such as against all other Persons.

(i) NO DEFAULT OR EVENT OF DEFAULT. No Default or Event of Default has occurred and is continuing.

(j) OWNERSHIP OF PROPERTIES. The Issuer has good and marketable title to any and all of its properties and assets, subject only to a Lien under the Indenture.

(k) LEGAL COUNSEL, ETC. The Issuer has consulted with its own legal counsel and independent accountants to the extent it has deemed necessary regarding the tax, accounting and regulatory consequences of the transactions contemplated by this Agreement and the other Basic Documents, and the Issuer is not participating in such transactions in reliance on any representations of the Note Purchaser, the Administrative Agent or their respective Affiliates, or its counsel, with respect to tax, accounting, regulatory or any other matters.

(l) BASIC DOCUMENTS. The Issuer has furnished to the Note Purchaser true, accurate and complete copies of all other Basic Documents to which it is a party as of the Closing Date, all of which Basic Documents are in full force and effect as of the Closing Date and no terms of any such agreements or documents have been amended, modified or otherwise waived as of such date. No party to any Basic Document is in default under any of its obligations thereunder.

(m) RESIDUAL INTEREST CERTIFICATES. Each Residual Interest Certificate was issued pursuant to an Eligible Committed Securitization.

(n) NO FRAUDULENT CONVEYANCE. As of the Initial Funding Date and as of each Funding Date, the fair value of the assets of the Issuer was greater than the fair value of its liabilities (including, without limitation, contingent liabilities of the Issuer), and the Issuer was, is and will be solvent, does and will pay its debts as they mature and does not and will not have an unreasonably small capital to engage in the business in which it is engaged and proposes to engage. The Issuer does not intend to incur, or believe that it has incurred, debts beyond its ability to pay such debts as they mature.

The Issuer is not in default under any material obligation to pay money to any Person. The Issuer is not contemplating the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of the Issuer or any of its assets. The Issuer has not transferred any Collateral with any intent to hinder, delay or defraud any of its creditors. The Issuer has not used, and will not use, the proceeds from the transactions contemplated by this Agreement or any other Basic Document to give any preference to any creditor or class of creditors. The Issuer has given fair consideration and reasonably equivalent value in exchange for the sale of the Residual Interest Assets by CPS under the Sale and Contribution Agreement.

(o) NO OTHER BUSINESS. The Issuer engages in no business activities other than the purchase of the Residual Interest Assets, pledging the Collateral to the Trustee under the Indenture, transferring Residual Interest Assets in connection with securitizations or third-party sales, issuing the Notes and other activities relating to the foregoing to the extent permitted by the organizational documents of the Issuer as in effect on the date such activity is engaged in, or as amended with the prior written consent of the Administrative Agent. Without limitation of the foregoing, the Issuer is not an issuer of securities other than the Notes or a borrower under any loan or financing agreement, facility or other arrangement other than the facility established pursuant to this Agreement and the other Basic Documents.

(p) NOTES ENTITLED TO BENEFIT OF THE INDENTURE. The Notes purchased by the Note Purchaser hereunder will be entitled to the benefit of the security provided in the Indenture.

(q) NO INDEBTEDNESS. The Issuer has no Indebtedness, other than Indebtedness incurred under (or contemplated by) the terms of the Basic Documents.

(r) ERISA. The Issuer does not maintain any Plans, and the Issuer agrees to notify the Administrative Agent in advance of forming any Plans. Neither the Issuer nor any Affiliate of the Issuer (other than MFN under the MFN Financial Corporation Pension Plan and CPS under its defined contribution (401(k)) plan) has any obligations or liabilities with respect to any Plans or Multiemployer Plans, nor have any such Persons had any obligations or liabilities with respect to any such Plans during the five year period prior to the date this representation is made or deemed made. The Issuer will give written notice to the Administrative Agent if at any time it or any Affiliate has any obligations or liabilities with respect to any Plan or Multiemployer Plan. All Plans maintained by the Issuer or any Affiliate are in substantial compliance with all applicable laws (including ERISA). The Issuer is not an employer under any Multiemployer Plan.

(s) OWNERSHIP OF ISSUER. CPS owns beneficially and of record 100% of membership interests in the Issuer free and clear of all Liens. The Issuer is a disregarded entity for federal income tax purposes and no election has been made or will be made to treat the Issuer as a corporation or an association taxable as a corporation for federal income tax purposes. Each Residual Interest Certificate represents an interest in a Trust with respect to which an opinion of counsel was rendered that such Trust is not taxable as a corporation for federal income tax purposes and to the Issuer's knowledge such opinion is still correct.

(II) In addition to the representations and warranties set forth in Section 5.01(I) above, the Issuer makes the following representations and warranties on which each of the Note Purchaser, the Administrative Agent and the Trustee are relying upon in entering in the Basic Documents as of the Effective Date (other than Section 5.01(I)(l) and Section 5.01(II)(b)). In addition, the Issuer will make the following representations and warranties as of each Settlement Date.

(a) MAINTENANCE OF SECURITY INTEREST. All financing statements and continuation statements and amendments thereto, if any, have been executed and filed that are necessary to continue and maintain the perfection of the first priority security interest of the Trustee for the benefit of the Issuer Secured Parties in the Collateral and their proceeds.

(b) NO PRINCIPAL COVERAGE RATIO VIOLATION. Except as otherwise disclosed to the Administrative Agent on the Settlement Date Statement relating to any Settlement Date, no Principal Coverage Ratio Violation has occurred.

(c) BASIC DOCUMENTS. The Issuer has furnished to the Note Purchaser true, accurate and complete copies of all other Basic Documents to which it is a party as of the Effective Date, all of which Basic Documents are in full force and effect as of the Effective Date and no terms of any such agreements or documents have been amended, modified or otherwise waived as of such date. No party to any Basic Document is in default under any of its obligations thereunder.

SECTION 5.02 REPRESENTATIONS AND WARRANTIES OF CPS. (I) CPS made certain representations and warranties, on which the Issuer relied in purchasing the Residual Interest Assets, on which the Note Purchaser relied in purchasing the Notes, on which the Note Purchaser and the Administrative Agent relied in executing the Original Note Purchase Agreement and on which the Trustee relied in executing the Original Indenture. Such representations and warranties were made as of the Initial Closing Date and as of each Funding Date after the Initial Funding Date. In addition, CPS will make the following representations and warranties as of the Effective Date and as of each Settlement Date, on which (i) the Administrative Agent and the Note Purchaser relied in executing this Agreement on the Effective Date and (ii) the Trustee relied in executing the Indenture on the Effective Date.

(a) SALE AND CONTRIBUTION AGREEMENT. Each of the representations and warranties of the Seller in the Sale and Contribution Agreement is true and correct.

(b) INVESTMENT COMPANY STATUS. CPS is not, nor will the consummation of the transactions contemplated by the Basic Documents cause CPS to be, an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act or a company "controlled by" an investment company within the meaning of the Investment Company Act. The consummation of the transactions contemplated by this Agreement and each other Basic Document to which CPS is a party will not violate any provision of such Act or any rule, regulation or order issued by the Securities and Exchange Commission thereunder. CPS is not subject to regulation under any applicable law (other than Regulation X of the Board of Governors of the Federal Reserve System) that limits its ability to incur Indebtedness.

(c) NO MATERIAL ADVERSE EFFECT; NO DEFAULT. (i) Neither CPS nor any of its Affiliates is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction that could have, and no provision of applicable law or governmental regulation has had or could reasonably be expected to have a Material Adverse Effect and (ii) neither CPS nor any of its Affiliates is in default under or with respect to any contract, agreement, lease or other instrument to which CPS or any of its Affiliates is a party and which is material to CPS's or such Affiliate's condition (financial or otherwise), business, operations or properties, and neither CPS nor any of its Affiliates has delivered or received any notice of default thereunder, other than such defaults as have been waived.

(d) REPRESENTATIONS AND WARRANTIES OF CPS UNDER BASIC DOCUMENTS. Each representation and warranty made by it in each Basic Document to which it is a party (including any representation and warranties made by it as Seller) is true and correct as of the date originally made, as of the Initial Funding Date, as of each Funding Date, as of the Effective Date and as of each Settlement Date.

(e) NO PUBLIC OFFERING OF NOTES. Neither CPS nor, to the best of CPS's knowledge after due inquiry, anyone acting on CPS's behalf, has offered, transferred, pledged, sold or otherwise disposed of any Note or any interest therein, or solicited any offer to buy or accept a transfer, pledge or other disposition of any Note or any interest therein or otherwise approached or negotiated, with respect to any Note or any interest therein, with any person in any manner, or made any general solicitation by means of general advertising or in any other manner, or taken any other action, which would constitute a public distribution of the Notes under the Securities Act, or which would render the disposition of any Note a violation of Section 5 of the Securities Act or any state securities laws, or require registration or qualification pursuant thereto.

(f) REGULATIONS T, U AND X. No proceeds of any sale hereunder will be used, directly or indirectly, by CPS for the purpose of purchasing or carrying any Margin Stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) or for the purpose of reducing or retiring any indebtedness that was originally incurred to purchase or carry Margin Stock or for any other purpose which might cause any sale hereunder to be a "purpose credit" within the meaning of Regulation U. The use of the proceeds from the issuance of the Notes will not violate or otherwise conflict with the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

(g) SECURITY INTEREST. Notwithstanding the intent of the parties set forth in Section 6.3 of the Sale and Contribution Agreement, the Sale and Contribution Agreement is effective to create valid and enforceable Liens on the Conveyed Property in favor of the Issuer. Upon filing of the financing statement delivered to the Administrative Agent and the Trustee by CPS on or prior to the Initial Funding Date in each jurisdiction (including, without limitation, the State of California) in which required by applicable law (which financing statement was in proper form for filing in each such jurisdiction and accurately describes the Collateral), the Lien created pursuant to the Sale and Contribution Agreement constituted, and such Lien currently constitutes a first priority perfected security interest in the Conveyed Property in favor of the Issuer, which Lien is and will be prior to all other Liens and which Lien is enforceable as such as against all Persons.

(h) FULL DISCLOSURE. The information, reports, financial statements, exhibits, schedules, officer's certificates and other documents furnished by or on behalf of CPS, the Seller or any of their respective Affiliates to the Issuer, the Purchaser, the Note Purchaser, the Administrative Agent or the Trustee in connection with the negotiation, preparation, delivery or performance of the Original Note Purchase Agreement, the Initial Class A-1 Notes, the Initial Class A-2 Notes, the Original Sale and Contribution Agreement, the Original Indenture and the other Basic Documents or included herein or therein or delivered pursuant hereto or thereto, taken as a whole, are true and correct in every material respect (or, in the case of projections, are based on good faith reasonable estimates) on the date as of which such information is stated or certified and do not and will not contain an untrue statement of a material fact, or omit to state any material fact necessary to make the statements herein or therein contained, in the light of the circumstances under which they were made, not misleading. All such financial statements fairly present the financial condition of CPS or such Affiliates as of the date specified therein (subject to normal year-end audit adjustments) all in accordance with GAAP. On such date, neither CPS nor any of its Affiliates had any material contingent liabilities, liabilities for taxes, or unusual or anticipated losses from any unfavorable commitments, except as referred to or reflected in such financial statements as of such date. There is no fact known to CPS or any of its Affiliates, after due inquiry, that could reasonably be expected to have a Material Adverse Effect and that has not been disclosed herein, in the other Basic Documents or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to the Note Purchaser or the Administrative Agent for use in connection with the transactions contemplated hereby or thereby.

(i) ERISA. Neither CPS nor any of its Affiliates maintain any Plans (other than CPS's defined contribution (401(k)) plan and the MFN Financial Corporation Pension Plan), and CPS agrees to notify the Administrative Agent in writing in advance of forming any Plans. Neither CPS nor any of its Affiliates has any obligations or liabilities with respect to any Plans or Multiemployer Plans (other than CPS's defined contribution (401(k)) plan and the MFN Financial Corporation Pension Plan), nor have any such Persons had any obligations or liabilities with respect to any such Plans during the five year period prior to the date this representation is made or deemed made. CPS will give prior written notice to the Administrative Agent if at any time it or any Affiliate has any obligations or liabilities with respect to any Plan or Multiemployer Plan. All Plans maintained by CPS or any of its Affiliates are in substantial compliance with all applicable laws (including ERISA). CPS is not an employer under any Multiemployer Plan.

(j) [RESERVED].

(k) [RESERVED].

(l) Each of CPS and its Affiliates is in compliance in all material respects with all agreements to which it is bound under all applicable ABS Issuance Agreements. The Issuer has made available to the Administrative Agent true and complete copies of all ABS Issuance Agreements and related transaction and other closing documents. Each party to the applicable ABS Issuance Agreements has performed in all material respects all of its respective obligations thereunder, and there is no pending or threatened cancellation of any ABS Issuance Agreement, and neither CPS nor any of its Affiliates has received any notice to the effect that any party to any ABS Issuance Agreement intends to cease doing business with CPS or any of its Affiliates.

(m) Neither CPS nor any of its Affiliates, including any issuer or depositor in any Securitization (a "SECURITIZATION ISSUER"), and no servicer with respect to a Securitization, has taken any action which would cause any trust, corporation, partnership or other entity ("SECURITIZATION ENTITY") to be registered as an investment company pursuant to the Investment Company Act, or which would cause any Securitization Entity to be "controlled by" an investment company within the meaning of the Investment Company Act.

(n) Each Securitization Issuer and each servicer with respect to a Securitization has made all filings required to be made by or under the Securities Exchange Act of 1934, as amended. There is no pending or threatened claim that any private placement memorandum or other offering document, or any amendments or supplements thereto contained, as of the date on which it was issued by a Securitization Entity in any Securitization, any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No securities were issued or sold by CPS or any of its Affiliates in violation of Section 5 of the Securities Act of 1933, as amended, in any Securitization.

(o) No Securitization Issuer, no depositor or servicer with respect to a Securitization and no entity serving as trustee for any Securitization has taken any action which would adversely affect the characterization or tax treatment for federal, state or local income or franchise tax purposes of any Securitization Entity or any securities issued in a Securitization, and all required federal, state and local tax and information returns relating to any Securitization have been properly filed.

(p) Since June 30, 2007, no rating agency has downgraded, or given the CPS any indication that it is considering a downgrading of any securities issued in any Securitization Transaction that has not been disclosed in writing to the Administrative Agent, other than a downgrade resulting solely from a downgrade in the rating of the related monoline insurer.

(q) Except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, neither CPS nor any of its Affiliates has done or failed to do, or has caused to be done or omitted to be done, any act, the effect of which would operate to invalidate or materially impair (x) any approvals of any rating agency, insurer, investor or other party to any ABS Issuance Agreement, or (y) any fidelity bond, direct surety bond, or errors and omissions insurance policy required by any agency, insurer or investor, or other party to any ABS Issuance Agreement.

(r) Each Transferred Residual Interest Certificate and each Pledged Residual Interest Certificate are substantially the form of the Residual Interest Certificates transferred by CPS to the Issuer and pledged by the Issuer to the Trustee, for the benefit of the Issuer Secured Parties, on the Initial Funding Date and on each Funding Date.

(II) In addition to the representations and warranties set forth in Section 5.02(I) above, CPS makes the following representations and warranties on which each of the Note Purchaser, the Administrative Agent and the Trustee are relying upon in entering in the Basic Documents as of the Effective Date. In addition, CPS will make the following representations and warranties as of each Settlement Date.

(a) MAINTENANCE OF SECURITY INTEREST. As of the Effective Date and as of each Settlement Date, all financing statements and continuation statements and amendments thereto have been executed and filed that are necessary to continue and maintain the perfection of the first priority security interest of the Issuer in the Conveyed Property.

(b) FULL DISCLOSURE. The information, reports, financial statements, exhibits, schedules, officer's certificates and other documents furnished by or on behalf of CPS, the Seller or any of their respective Affiliates to the Issuer, the Purchaser, the Note Purchaser, the Administrative Agent or the Trustee in connection with the negotiation, preparation, delivery or performance of this Agreement, the Class A-1 Notes, the Class A-2 Notes, the Sale and Contribution Agreement, the Indenture and the other Basic Documents or included herein or therein or delivered pursuant hereto or thereto, taken as a whole, are true and correct in every material respect (or, in the case of projections, are based on good faith reasonable estimates) on the date as of which such information is stated or certified and do not and will not contain an untrue statement of a material fact, or omit to state any material fact necessary to make the statements herein or therein contained, in the light of the circumstances under which they were made, not misleading. All such financial statements fairly present the financial condition of CPS or such Affiliates as of the date specified therein (subject to normal year-end audit adjustments) all in accordance with GAAP. On such date, neither CPS nor any of its Affiliates had any material contingent liabilities, liabilities for taxes, or unusual or anticipated losses from any unfavorable commitments, except as referred to or reflected in such financial statements as of such date. There is no fact known to CPS or any of its Affiliates, after due inquiry, that could reasonably be expected to have a Material Adverse Effect and that has not been disclosed herein, in the other Basic Documents or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to the Note Purchaser or the Administrative Agent for use in connection with the transactions contemplated hereby or thereby.

SECTION 5.03 REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE NOTE PURCHASER. The Note Purchaser hereby covenants to the Issuer and the Seller that it will perform the obligations required of it under the Basic Documents in accordance with the terms of the Basic Documents. In addition, the Note Purchaser represents and warrants to the Issuer and the Seller, (i) with respect to clauses (a) through (e) below, as of the Initial Funding Date and (ii) with respect to clauses (f) and (g) below, as of the Effective Date (or, with respect to (i) and (ii), as of a subsequent date on which a successor or assignee of the Note Purchaser shall become a party hereto, in which case such successor or assignee hereby represents and warrants to the Issuer and the Seller), that:

(a) it has had an opportunity to discuss the Issuer's and the Seller's business, management and financial affairs, and the terms and conditions of the transactions contemplated by the Basic Documents, with the Issuer and the Seller and their respective representatives;

(b) it is either (i) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act or (ii) an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act, and has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investing in, and is able and prepared to bear the economic risk of investing in, the Notes;

(c) it is purchasing the Notes for its own account, or for the account of one or more (i) "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act or (ii) "accredited investors" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act that meet the criteria described in SUBSECTION (b) and for which it is

acting with complete investment discretion, for investment purposes only and not with a view to distribution, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control;

(d) it understands that the Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and are being offered only in a transaction not involving any public offering within the meaning of the Securities Act and may not be resold or otherwise transferred unless so registered or qualified or unless an exemption from registration or qualification is available, that the Issuer is not required to register the Notes, and that any transfer must comply with provisions of Section 2.5 of the Indenture and SECTION 9.17 hereof;

(e) it understands that the Notes will bear the legend set out in the forms of Notes attached as EXHIBITS A-1 AND A-2 to the Indenture and be subject to the restrictions on transfer described in such legend;

(f) it will comply with all applicable federal and state securities laws in connection with any subsequent resale of the Notes; and

(g) this Agreement has been duly and validly authorized, executed and delivered by the Note Purchaser and constitutes a legal, valid, binding obligation of the Note Purchaser, enforceable against the Note Purchaser in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies, regardless of whether such enforceability is considered in a proceeding in equity or at law.

ARTICLE VI
CONDITIONS

SECTION 6.01 CONDITIONS PRECEDENT TO THE EFFECTIVENESS. This Agreement shall be effective as of the Effective Date upon the satisfaction of the following conditions precedent:

(a) the issuance of the duly executed and authorized Warrants pursuant to this Agreement, substantially in the form attached as EXHIBIT A hereto, registered in the name of Citigroup Global Markets Inc.;

(b) receipt by the Administrative Agent of (i) one or more cash prepayments in respect of principal of the Initial Class A-1 Note in the aggregate amount of $12,765,243.93 and (ii) one or more cash prepayments in respect of interest on the Initial Class A-1 Note in the aggregate amount of $145,376.77;

(c) all consents, waivers and approvals necessary for the consummation of the transactions contemplated by the Basic Documents shall have been obtained and shall be in full force and effect;

(d) confirmation satisfactory to the Administrative Agent that all conditions to the amendment and restatement of the Initial Class A-1 Notes and the Initial Class A-2 Notes under the Indenture and the other Basic Documents have been satisfied;

(e) the Note Purchaser shall have received (i) a duly executed, authorized and authenticated Class A-1 Note registered in its name and stating that the principal amount thereof is equal to the Class A-1 Facility Amount, and (ii) a duly executed, authorized and authenticated Class A-2 Note registered in its name and stating that the principal amount thereof is equal to the Class A-2 Facility Amount;

(f) CPS shall have paid all fees and expenses required to be paid by CPS and the Issuer on or prior to the Effective Date, including all fees and expenses required under SECTION 9.05(a) hereof;

(g) confirmation satisfactory to the Administrative Agent that the Notes purchased by the Note Purchaser hereunder shall be entitled to the benefit of the security provided in the Indenture and shall constitute the legal, valid and binding agreement of the Issuer, enforceable against the Issuer in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(h) no Material Adverse Change shall have occurred since June 15, 2008;

(i) the Administrative Agent shall have received:

(i) a duly executed and delivered original counterpart of each Basic Document, including the Guaranty, in the form of which is attached as EXHIBIT B hereto, each such document being in full force and effect;

(ii) certified copies of charter documents and each amendment thereto, and resolutions of the Board of Directors or other governing authority of each of the Issuer and the Seller authorizing or ratifying the execution, delivery and performance of all Basic Documents to which it is a party, certified by the Secretary or an Assistant Secretary of each of the Issuer and the Seller as of the Effective Date, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate;

(iii) a certificate of the Secretary or an Assistant Secretary of the Issuer and the Seller, as applicable, certifying the names and the signatures of its officer or officers authorized to sign all transaction documents to which it is a party;

(iv) a certificate of a senior officer of CPS to the effect that the representations and warranties of CPS and the Seller in this Agreement and the other Basic Documents to which either of them is a party are true and correct as of the Effective Date, and that each of CPS and the Seller has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Effective Date;

(v) a certificate of a senior officer of the Issuer to the effect that the representations and warranties of the Issuer and the Purchaser in this Agreement and the other Basic Documents to which either of them is a party are true and correct as of the Effective Date and that each of the Issuer and the Purchaser have complied in all material respects with all agreements and satisfied all conditions on their part to be performed or satisfied at or prior to the Effective Date;

(vi) legal opinions (including opinions relating to true sale, non-consolidation and other bankruptcy matters, tax, UCC with respect to perfection and priority of the Trustee's security interest in the Collateral, securities law relating to the Class A-1 Notes, the Class A-2 Notes and the Warrants, Investment Company Act relating to Investment Company Act matters, enforceability, corporate matters, an opinion pursuant to Section 9.2 of the Original Indenture and an opinion from the Trustee with respect to general matters) in form and substance satisfactory to the Note Purchaser and its counsel;

(vii) confirmation satisfactory to the Administrative Agent that all necessary UCC filings have been made and delivery to the Administrative Agent and its legal counsel of applicable UCC search reports dated as of July 3, 2008;

(viii) payment of reasonable out-of-pocket fees and expenses of the Note Purchaser and the Administrative Agent in accordance with SECTION 3.02(a) hereof;

(ix) copies of certificates or other evidence from the Secretary of State or other appropriate authority of the States of Delaware and California, evidencing the good standing of the Issuer and the Seller in the States of Delaware and California, in each case, dated no earlier than 5 days prior to the Effective Date;

(x) confirmation satisfactory to the Administrative Agent that a Trust Receipt was issued by the Trustee pursuant to SECTION 2.12 of the Indenture with respect to the Pledged Residual Interest Certificates funded on each Funding Date;

(xi) such other documents, opinions and information as the Note Purchaser may reasonably request;

(j) confirmation satisfactory to the Administrative Agent that the Issuer has irrevocably instructed the trustee and/or paying agent under the ABS Issuance Agreements related to any Pledged Residual Interest Assets funded on each Funding Date, providing for, among other things, all payments payable in respect of the related Pledged Residual Interest Assets to be paid directly to the Collection Account for the benefit of the Issuer Secured Parties;

(k) an update satisfactory to the Administrative Agent with respect to litigation matters relating to CPS or any Affiliates of CPS; and

(l) CPS and the Administrative Agent shall have mutually agreed upon the form of the Settlement Date Statement attached as EXHIBIT E to the Indenture.

ARTICLE VII
COVENANTS

SECTION 7.01 AFFIRMATIVE COVENANTS. Prior to the termination of this Agreement and each other Basic Document and the indefeasible payment of all obligations hereunder and thereunder:

(a) NOTICE OF DEFAULTS, LITIGATION, ADVERSE JUDGMENTS, ETC. CPS or the Issuer, as applicable, shall give notice to Administrative Agent promptly in writing:

(i) upon CPS or the Issuer, as the case may be, becoming aware of, and in any event within two (2) Business Days after, the occurrence of any Event of Default or Default or any event of default or default under any other Basic Document or any other material agreement of CPS or any Specified Affiliate of CPS;

(ii) upon, and in any event within two (2) Business Days after, service of process on CPS or the Issuer, as the case may be, or any agent thereof for service of process, in respect of any legal or arbitrable proceedings affecting CPS, the Issuer or any other Specified Affiliate of CPS (x) that questions or challenges the validity or enforceability of any of the Basic Documents, (y) in which the amount in controversy exceeds $1,000,000 or (z) that could reasonably be expected to have a Material Adverse Effect;

(iii) upon, and in any event within two (2) Business Days after, CPS or the Issuer, as the case may be, becoming aware of any event or change in circumstances that could reasonably be expected to (A) have a Material Adverse Effect, (B) constitute a Material Adverse Change or (C) cause an Event of Default;

(iv) upon, and in any event within two (2) Business Days after, CPS or the Issuer, as the case may be, becoming aware of entry of a judgment or decree in respect of CPS, the Issuer or any other Specified Affiliate of CPS, its respective assets or any of the Collateral in an amount in excess of $1,000,000; and

(v) upon any governmental inquiry, whether formal or informal, or the initiation of any legal process, litigation, arbitration, or administrative, regulatory or judicial investigation against or concerning the CPS, the Issuer or any other Specified Affiliate of CPS potentially involving an amount (i) in excess of $1,000,000 or (ii) less than $1,000,000 and is otherwise material, including without limitation any putative class action.

Each notice pursuant to this subsection (a) shall be accompanied by a statement of an officer of CPS or the Issuer, as applicable, setting forth details of the occurrence referred to therein and stating what action CPS and the Issuer, as the case may be, have taken or propose to take with respect thereto.

(b) TAXES. Each of CPS and the Issuer shall pay and discharge all taxes and governmental charges upon it (including as a result of being a member of any consolidated or unitary tax group) or against any of its properties or assets or its income prior to the date after which penalties attach for failure to pay, except to the extent that CPS or the Issuer, as applicable, shall be contesting in good faith in appropriate proceedings its obligation to pay such taxes or charges, adequate reserves having been set aside for the payment thereof in accordance with GAAP.

(c) CONTINUITY OF BUSINESS AND COMPLIANCE WITH AGREEMENT AND LAW. Each of CPS and the Issuer shall:

(i) preserve and maintain its legal existence;

(ii) comply with the requirements of all applicable laws, rules, regulations and orders of governmental authorities and other Requirements of Law (including, without limitation, Consumer Laws and all environmental laws);

(iii) keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied;

(iv) not move its chief executive office or chief operating office from the addresses referred to herein or change its jurisdiction of organization unless it shall have provided the Administrative Agent 30 days prior written notice of such change;

(v) pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained; and

(vi) continue in business in a prudent, reasonable and lawful manner with all licenses, rights, permits, franchises and qualifications necessary to perform its respective obligations under this Agreement, the Sale and Contribution Agreement, the Notes and the other Basic Documents.

(d) OWNERSHIP OF THE ISSUER. CPS shall own beneficially and of record 100% of the membership interests in the Issuer free and clear of all Liens.

(e) [RESERVED.]

(f) COLLATERAL STATEMENTS. The Issuer will furnish or cause to be furnished to the Administrative Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Administrative Agent may reasonably request, all in reasonable detail, including without limitation each statement, certificate and report required to be delivered to the Trustee or the Noteholders under any Basic Document.

(g) COMPLIANCE CERTIFICATE. Each of CPS and the Issuer shall deliver or cause to be delivered a Compliance Certificate to the Administrative Agent within 75 days after the end of each fiscal year and within 30 days after the end of each other fiscal quarter or, if such day is not a Business Day, the immediately preceding Business Day.

(h) ACTIONS TO ENFORCE RIGHTS UNDER CONTRACTS. CPS and the Issuer shall take such reasonable and lawful actions as the Administrative Agent shall request to enforce Administrative Agent's rights under the Collateral, and, following the occurrence of an Event of Default, shall take such reasonable and lawful actions as are necessary to enable Administrative Agent to exercise such rights in Administrative Agent's own name.

(i) MONTHLY SERVICER'S CERTIFICATE. CPS shall deliver to the Note Purchaser, the Administrative Agent and the Trustee, in a computer-readable format reasonably acceptable to each such Person (i) the monthly servicer's certificate (each, a "MONTHLY SERVICER'S CERTIFICATE") with respect to each Eligible Committed Securitization for which a Residual Interest Certificate has been pledged to the Trustee pursuant to the Indenture at the same time such Monthly Servicer's Certificate is required to be delivered pursuant to the applicable Securitization Transaction Documents and (ii) a Settlement Date Statement pursuant to Section 3.9(a) of the Indenture no later than 12:00 noon, New York City time, on each Determination Date. CPS shall deliver to the Administrative Agent and the Trustee a hard copy of any such Monthly Servicer's Certificate or Settlement Date Statement upon request of such Person.

(j) SEPARATE EXISTENCE; NO COMMINGLING. Until the Notes are repaid in full and all of the Basic Documents are terminated, the Issuer shall limit its activities to such activities as are incident to and necessary or convenient to accomplish the following purposes: (i) to acquire, own, hold, pledge, finance and otherwise deal with Residual Interest Assets to be pledged to the Trustee for the benefit of the Issuer Secured Parties pursuant to the Indenture and (ii) to sell, securitize or otherwise liquidate all or any portion of such Residual Interest Assets in accordance with the provisions of the Basic Documents. In addition, prior to the payment of the Notes in full and termination of all of the Basic Documents, the Issuer shall observe and comply with the applicable legal requirements for the recognition of the Issuer as a legal entity separate and apart from its Affiliates, including without limitation, those requirements set forth in SECTION 9(b)(iv) of the Issuer's Limited Liability Company Agreement. Without limiting the foregoing, the Issuer shall, and CPS shall cause itself and any other Affiliates of the Issuer to, maintain the truth and accuracy of all facts assumed by Andrews Kurth LLP in the true sale and non consolidation opinions of Andrews Kurth LLP; provided that in the event that any request is made for the Administrative Agent to consent to or approve any matter that, if effectuated or consummated, would result in a change to the continuing truth and accuracy of any of the factual assumptions in the true sale or non consolidation opinions of Andrews Kurth LLP, such request shall be accompanied by an opinion of Andrews Kurth LLP, or such other counsel as may be reasonably satisfactory to the Administrative Agent, that the conclusions set forth in the true sale and non consolidation opinions of Andrews Kurth LLP will be unaffected by such change.

(k) OTHER LIENS OR INTERESTS. Except for the conveyances under the Sale and Contribution Agreement prior to the Effective Date, CPS shall not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any lien on or any interest in, the Residual Interest Assets or any other Collateral. Except for the pledge pursuant to the Indenture, the Issuer shall not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any lien on or any interest in, the Residual Interest Assets or any other Collateral. CPS and the Issuer shall, at their own expense, defend the Collateral against, and will take such other action as is necessary to remove, any Lien, security interest or claim on, in or to the Collateral, other than the security interests created under the Sale and Contribution Agreement and the Indenture, respectively, and CPS and the Issuer will defend the right, title and interest of the Issuer Secured Parties in and to any of the Collateral against the claims and demands of all Persons whomsoever. From time to time, each of CPS and the Issuer shall cause to be taken such actions as are necessary to continue and maintain the perfection of the first priority security interest of the Trustee on behalf of the Issuer Secured Parties in the Collateral, including, without limitation, the filing of financing statements, amendments thereto and continuation statements.

(l) BOOKS AND RECORDS; OTHER INFORMATION.

(i) Each of CPS and the Issuer shall maintain accounts and records as to each of the Pledged Residual Interest Certificates accurately and in sufficient detail to permit the reader thereof to know at any time the status of such Pledged Residual Interest Certificate, including all distributions made in respect of such Pledged Residual Interest Certificate. CPS shall maintain accurate and complete books and records with respect to the Pledged Residual Interest Certificates and with respect to CPS's business. The Issuer shall maintain accurate and complete books and records with respect to the Collateral and the Issuer's business. All accounting books and records shall be maintained in accordance with GAAP.

(ii) Each of CPS and the Issuer shall, and shall cause each of its Affiliates to, permit any representative of the Administrative Agent, a Noteholder or the Trustee to visit and inspect any of the properties of CPS, the Issuer and such Affiliates to examine the books and records of CPS, the Issuer and such Affiliates, as applicable, and to make copies and take extracts therefrom, and to discuss the business, operations, properties, condition (financial or otherwise) or prospects of CPS, the Issuer and each such Affiliate, as applicable, or any of the Collateral with the officers and independent public accountants thereof and as often as the Administrative Agent, a Noteholder or the Trustee may reasonably request, and so long as no Default or Event of Default shall have occurred and be continuing, all at such reasonable times during normal business hours upon reasonable notice; provided that, after a Default or Event of Default shall have occurred and be continuing, the Administrative Agent, a Noteholder or the Trustee shall make such inspections, examine such documents and conduct such discussions at such times as it may determine in its sole discretion.

(iii) Each of CPS and the Issuer shall promptly provide to the Administrative Agent all information regarding its respective operations and practices and the Collateral as the Administrative Agent shall reasonably request.

(iv) Each of CPS and the Issuer shall furnish or cause to be furnished to the Administrative Agent, as soon as publicly available, copies of (w) any and all Relevant Reports that CPS or the Issuer sends to its respective shareholders or members, (x) all reports, correspondence and other information provided by CPS to its unsecured noteholders, (y) copies of all (if any) regular, periodic and special reports, and all registration statements publicly filed by CPS or any Affiliate of CPS with the Securities and Exchange Commission or any Governmental Authority that supervises the issuance of securities by CPS, the Issuer or any other Affiliate of CPS, and (z) any press releases concerning CPS or the Issuer.

(m) FULFILLMENT OF OBLIGATIONS. Each of CPS and the Issuer shall pay and perform, as and when due, all of its obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of CPS or the Issuer, as applicable.

(n) COMPLIANCE WITH LAWS, ETC. Each of CPS and the Issuer shall, and CPS shall cause each of its Subsidiaries to, comply (i) in all material respects with all Requirements of Law and any change therein or in the application, administration or interpretation thereof (including, without limitation any request, directive, guideline or policy, whether or not having the force of law) by any Governmental Authority charged with the administration or interpretation thereof; and (ii) with all indentures, mortgages, deeds of trust, agreements, or other instruments or contractual obligations to which it is a party, including without limitation, each Basic Document to which it is a party, or by which it or any of its properties may be bound or affected, or which may affect the Collateral.

(o) COMPLIANCE WITH BASIC DOCUMENTS. CPS, in its capacity as Seller or otherwise, shall comply with each of its covenants contained in the Basic Documents.

(p) FINANCING STATEMENTS. Each of CPS and the Issuer shall defend the Collateral against, and shall take such other action as is necessary to remove, any Lien, security interest or claim on or to the Collateral, other than the security interests created under the this Agreement, and each of CPS and the Issuer will defend the right, title and interest of the Issuer Secured Parties in and to any of the Collateral against the claims and demands of all Persons whomsoever. From time to time, CPS and the Issuer shall cause to be taken such actions as are necessary to continue and maintain the perfection of the first priority security interest of the Trustee for the benefit of the Issuer Secured Parties in the Collateral, including, without limitation, the filing of financing statements, amendments thereto and continuation statements as the Administrative Agent determines may be required by law to perfect, maintain and protect the first priority security interest of the Issuer Secured Parties in the Collateral.

(q) PAYMENT OF FEES AND EXPENSES. CPS and the Issuer shall pay to the Note Purchaser and the Administrative Agent, on demand, any and all fees, costs or expenses that the Note Purchaser and the Administrative Agent pays to a bank or other similar institution arising out of or in connection with the return of payments from CPS or the Issuer deposited for collection by the Note Purchaser and the Administrative Agent.

(r) FINANCIAL STATEMENTS AND ACCESS TO RECORDS. CPS shall provide the Administrative Agent with quarterly unaudited financial statements within forty-five (45) days of the end of each of CPS's first three fiscal quarters, and CPS will provide the Administrative Agent with audited financial statements within ninety (90) days of each of CPS's fiscal year-end audited by a nationally recognized independent certified public accounting firm. Within 30 days after the end of each calendar month prior to the termination of the Basic Documents, CPS shall provide the Administrative Agent with unaudited monthly financial statements for the immediately preceding calendar month. CPS shall deliver to the Administrative Agent with each financial statement a certificate by CPS's chief financial officer, certifying that such financial statements are complete and correct in all material respects and that, except as noted in such certificate, such chief financial officer has no knowledge of any Default or Event of Default. In connection with each report filed by CPS under Section 13(a) of the Exchange Act during the Term, CPS shall be deemed to have represented and warranted to the Administrative Agent that, as of the related filing date, the financial statements contained in such report are complete and correct in all material respects and that, unless otherwise specified in such report, CPS has no knowledge of any Default or Event of Default as of such filing date.

(s) LITIGATION MATTERS. CPS shall notify the Administrative Agent in writing, promptly upon its learning thereof, of the assertion of any governmental claim, whether formal or informal, or the initiation of any legal process, litigation, arbitration, or administrative, regulatory or judicial investigation against or concerning CPS, the Issuer or any other Affiliate of CPS, in each case potentially involving an amount (i) in excess of $1,000,000 or (ii) less than $1,000,000 if otherwise material, including without limitation any putative class action.

(t) NOTICE OF CHANGE OF CHIEF EXECUTIVE OFFICE. CPS and the Issuer shall provide the Administrative Agent with not less than thirty (30) days prior written notice of any change in the chief executive office or jurisdiction of incorporation or organization of CPS or the Issuer to permit the Administrative Agent to make any additional filings necessary to continue the perfected security interest of the Issuer Secured Parties in the Collateral.

(u) FINANCIAL COVENANTS. CPS shall satisfy each of the financial covenants set forth on SCHEDULE I hereto; provided that compliance with the financial covenant set forth in clause 3 of SCHEDULE I shall be reported to the Administrative Agent on a quarterly basis at the end of each fiscal quarter, unless the Administrative Agent otherwise notifies CPS to report compliance with such covenant to the Administrative Agent on a monthly basis.

(v) NOTICE OF BREACH OF SECURITIZATION TRIGGERS AND FINANCIAL COVENANTS. CPS shall promptly notify the Administrative Agent in writing upon the occurrence of a breach of any performance trigger or financial covenant related to any Securitization Transaction.

(w) CHANGES TO SERVICING POLICIES. CPS will notify the Administrative Agent in writing promptly after making any material changes to its servicing policies.

(x) DATA FILES FOR SECURITIZATION TRANSACTIONS. On or prior to the Determination Date each month, CPS will provide the Administrator with electronic data files for each Securitization Transaction related to a Pledged Residual Interest Certificate, together with an Officer's Certificate of CPS certifying that such data files are complete and correct in all material respects and that, except as noted in such certificate, such officer has no knowledge of any Default or Event of Default.

(y) INSURANCE. Prior to the termination of the Basic Documents, CPS shall maintain such insurance as is generally acceptable to prudent institutional investors and usual and customary for similar companies in its industry.

(z) SERVICING. CPS, as servicer for each Securitization Transaction related to a Pledged Residual Interest Certificate, shall manage, service, administer and make collections with respect to each such Securitization Transaction with reasonable care, using that degree of skill and attention customary and usual for institutions which service motor vehicle retail installment contracts similar to such Securitization Transaction and, to the extent more exacting, that CPS exercises with respect to all comparable automotive receivables that it services for itself or others.

(aa) RATINGS OF ELIGIBLE COMMITTED SECURITIZATIONS. CPS shall use commercially reasonable best efforts to have the securities issued by each Securitization Issuer pursuant to its Securitization Transaction Documents rated by Moody's and S&P (without giving effect to any insurance policy issued by a monoline insurer).

(bb) CONTINUATION OF AND CHANGE IN BUSINESSES. CPS shall cause each of its Excluded Subsidiaries to continue to engage in the same business or businesses it engaged in on the Effective Date; PROVIDED, HOWEVER, any of such Excluded Subsidiaries may be dissolved or liquidated by CPS at any time.

SECTION 7.02 NEGATIVE COVENANTS. Prior to the termination of this Agreement and each other Basic Document and the indefeasible payment of all obligations hereunder and thereunder:

(a) ADVERSE TRANSACTIONS. None of CPS, the Issuer or any other Affiliate of CPS shall enter into or permit any transaction that adversely affects the Collateral or the Note Purchaser's interest therein, the Note Purchaser's or the Administrative Agent's rights under this Agreement, the Notes or any other Basic Document, the Issuer's interest in the Conveyed Property pursuant to the Sale and Contribution Agreement, or the Trustee's security interest in the Collateral pursuant to the Indenture.

(b) GUARANTEES. The Issuer shall not guarantee or otherwise in any way become liable with respect to the obligations or liabilities of any other Person.

(c) DIVIDENDS. The Issuer shall not declare or pay any dividends except to the extent of funds legally available therefor from payments received by the Issuer pursuant to SECTION 8.5 of the Indenture. Notwithstanding the foregoing, the Issuer shall not declare or pay any dividends on any date as of which a Principal Coverage Ratio Violation, a Default or an Event of Default shall have occurred and is continuing. CPS shall not declare or pay any cash dividends if the amount of such dividends would exceed the quarterly and annual earnings of CPS (on an annualized basis) before taking into account income taxes, or if such dividend (either before or after giving effect thereto) would cause CPS to breach any financial covenant set forth in SECTION 7.01(u) hereof.

(d) INVESTMENTS. The Issuer shall not make any investment in any Person through the direct or indirect holding of securities or otherwise.

(e) CHANGES IN CAPITAL STRUCTURE OR BUSINESS OBJECTIVES OF THE ISSUER. The Issuer shall not do any of the following if it will adversely affect the payment or performance of, or the Issuer's ability to pay and/or perform, its obligations to the Note Purchaser with respect to this Agreement or any other Basic Document to which it is a party, or the Notes, or if it could be reasonably expected to: (i) cancel any of the membership interests in the Issuer, (ii) make any change in the capital structure of the Issuer, or (iii) make any material change in any of its business objectives, purposes or operations that could reasonably be expected to adversely affect the payment or performance of, or the Issuer's ability to pay and/or perform, its obligations to Note Purchaser or the Administrative Agent with respect to this Agreement or any other Basic Document to which it is a party, or the Notes.

(f) NO RELEASES OF COLLATERAL. Neither CPS or the Issuer shall permit the Collateral to be released from the lien of the Indenture, except upon satisfaction and release of the Indenture in accordance with Article IV thereof.

(g) NO LIENS ON EQUITY INTERESTS IN THE ISSUER. CPS shall not grant or otherwise create any Lien on the membership interests in the Issuer (or any other equity interest in the Issuer) without the prior written consent of the Administrative Agent.

(h) NO INDEBTEDNESS. The Issuer will not at any time incur any Indebtedness, other than Indebtedness incurred under (or contemplated by) the terms of the Basic Documents.

(i) NO OTHER BUSINESS. The Issuer will not at any time engage in any other business activities than the purchase of the Residual Interest Assets, pledging the Collateral to the Trustee under the Indenture, issuing the Notes and other activities relating to the foregoing to the extent permitted by the organizational documents of the Issuer as in effect on the date hereof, or as amended with the prior written consent of the Administrative Agent. Without limitation of the foregoing, the Issuer will not at any time be an issuer of securities other than the Notes or a borrower under any loan or financing agreement, facility or other arrangement other than the facility established pursuant to this Agreement and the other Basic Documents.

(j) NO AMENDMENT TO ISSUER'S OPERATING AGREEMENT OR ANY BASIC DOCUMENT WITHOUT CONSENT. Neither the Limited Liability Company Agreement of the Issuer, nor any Basic Document, shall be amended, supplemented or otherwise modified without the prior written consent of the Administrative Agent.

(k) TRANSACTIONS WITH AFFILIATES. The Issuer shall not enter into, or be a party to, any transaction with any of its Affiliates, except in accordance with the requirements set forth in Section 9(b)(iv) of its Limited Liability Company Agreement.

(l) NONPETITION. Notwithstanding any prior termination of this Agreement, the Seller will not, prior to the date that is one year and one day after the day upon which the outstanding principal amount of the Notes has been reduced to zero and all Issuer Secured Obligations have been paid in full, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Issuer.

(m) PROTECTION OF TITLE TO COLLATERAL. None of the Seller, the Purchaser or the Issuer shall change its name, identity, jurisdiction of organization, form of organization or corporate structure in any manner that would, could or might make any financing statement or continuation statement filed with respect to the Collateral seriously misleading within the meaning of Section 9-506(a) of the UCC, unless it shall have given the Administrative Agent at least 30 days' prior written notice thereof and shall have promptly filed appropriate amendments to all previously filed financing statements or continuation statements.

(n) FURTHER COVENANTS. Without prior written consent of the Administrative Agent, none of CPS, the Issuer or any other Affiliate of CPS will: (i) assign, sell, transfer, pledge or grant any security interest in or Lien on any of the Collateral to anyone except the Trustee for the benefit of the Issuer Secured Parties, permit any financing statement or assignment (except for any assignments in favor of the Trustee for the benefit of the Issuer Secured Parties) to be on file in any public office with respect thereto, (ii) permit or suffer to exist any security interest, lien, charge, encumbrance or right of others to attach to any of the Collateral, except as contemplated by this Agreement, or (iii) consent to any amendment or supplement to any ABS Issuance Agreement that would have a Material Adverse Effect.

(o) SHARE REPURCHASES. CPS shall not repurchase more than five percent (5.0%) of the issued and outstanding shares of its common stock (on a fully-diluted basis) during the period from the Initial Closing Date through the first anniversary thereof; CPS shall not repurchase more than five percent (5.0%) of the issued and outstanding shares of its common stock (on a fully-diluted basis) during the period from the first anniversary of the Initial Closing Date through the second anniversary thereof. CPS's purchase of shares of its common stock from Levine Leichtman Capital Partners II, L.P. for an aggregate purchase price not to exceed $10,000,000 is excluded from the foregoing restrictions.

(p) ACTIONS WITH RESPECT TO THE PLEDGED RESIDUAL INTEREST CERTIFICATES AND ANY OTHER COLLATERAL. Unless it has received the prior written consent of the Administrative Agent and the Majority Noteholders, none of CPS, the Issuer or any other Affiliate of CPS shall take any action, fail to take any action, give any consent, permit any action, enter into or permit any amendment, waiver, supplement or other modification under or in respect of any Pledged Residual Interest Certificate or any other Collateral, or enter into or permit any amendment, waiver, supplement or other modification of any agreement, document or instrument governing the rights of any Pledged Residual Interest Certificate, that could reasonably be expected to, or would, (i) reduce in any manner the amount of, or accelerate or delay the timing of, distributions that are required to be made on the Pledged Residual Interest Certificates or any other Collateral, (ii) cause or permit amounts on deposit in the spread account for any Securitization Transaction pursuant to which a Pledged Residual Interest Certificate has been issued or proceeds or distributions in respect of any Pledged Residual Interest Certificate or any other Collateral to be available to fund deficiencies in any other spread account relating to another Securitization Transaction or (iii) otherwise have a Material Adverse Effect.

ARTICLE VIII
ADMINISTRATIVE AGENT

SECTION 8.01 AUTHORIZATION AND ACTION. Each party hereto and each Noteholder hereby accepts the appointment of and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers as

are delegated to the Administrative Agent by the terms of this Note Purchase Agreement or the other Basic Documents, together with such powers as are reasonably incidental thereto. The Administrative Agent reserves the right, in its sole discretion, to take any actions and exercise any rights or remedies under this Note Purchase Agreement, any other Basic Document and any related agreements and documents. Except for actions which the Administrative Agent is expressly required to take pursuant to this Note Purchase Agreement or any other Basic Document, the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to applicable law unless the Administrative Agent shall receive further assurances to its satisfaction from the parties hereto of the indemnification obligations under Section 1.04 hereof against any and all liability and expense which may be incurred in taking or continuing to take such action.

SECTION 8.02 ADMINISTRATIVE AGENT'S RELIANCE, ETC.. Neither the Administrative Agent nor any of its respective directors, officers, agents or employees shall be liable to any Indemnified Party for any action taken or omitted to be taken by the Administrative Agent or any of its respective directors, officers, agents or employees as Administrative Agent under or in connection with this Note Purchase Agreement, any other Basic Document or any related agreement or document, except for its or their own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final and non-appealable decision. Without limiting the foregoing, the Administrative Agent: (i) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any party hereto or any Noteholder, and shall not be responsible to any Noteholder, for any recitals, statements, warranties or representations made by the Issuer or CPS in connection with this Note Purchase Agreement or any other Basic Document or in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Note Purchase Agreement or any other Basic Document; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Note Purchase Agreement or any other Basic Document on the part of the Issuer or CPS or to inspect the property (including the books and records) of the Issuer or CPS; (iv) shall not be responsible to any party hereto or any Noteholder for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Note Purchase Agreement, any other Basic Document or any other instrument or document furnished pursuant hereto; and (v) shall incur no liability under or in respect of this Note Purchase Agreement or any other Basic Document by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by telex) believed by it in good faith to be genuine and signed or sent by the proper party or parties. The Administrative Agent shall not be deemed to have knowledge of any Default or Event of Default unless the Administrative Agent has received notice thereof from the Issuer, CPS or any Noteholder.

SECTION 8.03 ADMINISTRATIVE AGENT AND AFFILIATES. The Administrative Agent and its Affiliates may generally engage in any kind of business with the Issuer or CPS, any of their respective Affiliates and any Person who may do business with or own securities of the Issuer or CPS or any of their respective Affiliates, all as if such entity were not the Administrative Agent and without any duty to account therefor to the Noteholders, as the case may be.

SECTION 8.04 INDEMNIFICATION. Each Noteholder agrees to indemnify the Administrative Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Note Purchase Agreement or any other Basic Document or any action taken or omitted by the Administrative Agent under this Note Purchase Agreement or any other Basic Document; provided that no Noteholder shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting or arising from the Administrative Agent's gross negligence or willful misconduct as is determined by a court of competent jurisdiction in a final and non-appealable decision. Without

limitation of the generality of the foregoing, each Noteholder agrees to reimburse the Administrative Agent, promptly upon demand, for any reasonable out-of-pocket expenses (including reasonable counsel fees) incurred by the Administrative Agent in connection with the administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Note Purchase Agreement or any other Basic Document, provided that no Noteholder shall be responsible for the costs and expenses of the Administrative Agent in defending itself against any claim alleging the gross negligence or willful misconduct of the Administrative Agent to the extent such gross negligence or willful misconduct is determined by a court of competent jurisdiction in a final and non-appealable decision.

SECTION 8.05 PURCHASE DECISION. Each party hereto and each Noteholder acknowledges that it has, independently and without reliance upon the Administrative Agent, any other party hereto or any of their respective Affiliates, and based on such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Note Purchase Agreement and undertake the obligations of such party hereunder.

SECTION 8.06 RELIANCE. The Administrative Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Issuer and/or CPS), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other document furnished in connection herewith unless it shall first receive such advice or concurrence of any Noteholder as it deems appropriate or it shall first be indemnified to its satisfaction by any Noteholder, provided that unless and until the Administrative Agent shall have received such advice, the Administrative Agent may take or refrain from taking any action, as the Administrative Agent shall deem advisable and in the best interests of the Noteholders. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of the Majority Noteholders and such request and any action taken or failure to act pursuant thereto shall be binding upon the Noteholders.

SECTION 8.07 NON-RELIANCE ON ADMINISTRATIVE AGENT. Each of the Noteholders expressly acknowledge that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including, without limitation, any review of the affairs of the Issuer or CPS, shall be deemed to constitute any representation or warranty by the Administrative Agent. Each of the Noteholders represent and warrant to the Administrative Agent that they have and will, independently and without reliance upon the Administrative Agent and based on such documents and information as they have deemed appropriate, made their own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Issuer and CPS and made its own decision to enter into this Note Purchase Agreement.

SECTION 8.08 SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign at any time by giving 30 days' written notice thereof to the Note Purchaser, the Issuer and CPS. Upon any such resignation by the Administrative Agent, the Majority Noteholders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Majority Noteholders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice or resignation, then the retiring Administrative Agent may, on behalf of the Note Purchaser, the Issuer and CPS, appoint a successor Administrative Agent. If for any reason a successor Administrative Agent is not appointed by the retiring Administrative Agent, the Noteholders shall perform all of the duties of the retiring Administrative Agent and the Issuer shall for all purposes shall deal directly with the Noteholders. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such

successor Administrative Agent shall thereupon succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Note Purchase Agreement. After any Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this ARTICLE VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent under this Note Purchase Agreement.

ARTICLE IX
MISCELLANEOUS PROVISIONS

SECTION 9.01 AMENDMENTS. No amendment to or waiver of any provision of this Agreement, nor consent to any departure by the Seller, the Issuer, the Administrative Agent or the Note Purchaser therefrom, shall in any event be effective unless the same shall be in writing and signed by the Seller, the Issuer, the Administrative Agent and the Note Purchaser.

SECTION 9.02 NO WAIVER; REMEDIES. Any waiver, consent or approval given by any party hereto shall be effective only in the specific instance and for the specific purpose for which given, and no waiver by a party of any breach or default under this Agreement or any other Basic Document shall be deemed a waiver of any other breach or default. No failure on the part of any party hereto to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder, or any abandonment or discontinuation of steps to enforce the right, power or privilege, preclude any other or further exercise thereof or the exercise of any other right. No notice to or demand on any party hereto in any case shall entitle such party to any other or further notice or demand in the same, similar or other circumstances. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.03 BINDING ON SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon, and inure to the benefit of, the Issuer, the Purchaser, the Seller, the Note Purchaser, the Administrative Agent and their respective successors and assigns; PROVIDED, HOWEVER, that none of the Issuer, the Purchaser or the Seller may assign its rights or obligations hereunder or in connection herewith or any interest herein (voluntarily, by operation of law or otherwise) without the prior written consent of the Administrative Agent. Nothing expressed herein is intended or shall be construed to give any Person other than the Persons referred to in the preceding sentence any legal or equitable right, remedy or claim under or in respect of this Agreement.

SECTION 9.04 TERMINATION; SURVIVAL OF AGREEMENT. The obligations and responsibilities of the Note Purchaser created hereby shall terminate on the Facility Termination Date. All covenants, agreements, representations and warranties made herein and in the Notes delivered pursuant hereto shall survive the execution and delivery of this Agreement and the Notes and shall continue in full force and effect until all interest and principal on the Notes and other amounts owed hereunder and under the Basic Documents have been paid in full and the commitment of the Note Purchaser hereunder has been terminated. In addition, the obligations of the Issuer, the Seller and the Note Purchaser under SECTIONS 3.03, 3.04, 3.05 and 9.05, 9.11, 9.12, 9.13 and 9.16 shall survive the termination of this Agreement.

SECTION 9.05 PAYMENT OF COSTS AND EXPENSES; INDEMNIFICATION.

(a) PAYMENT OF COSTS AND EXPENSES.

(i) The Seller and the Issuer jointly and severally agree to pay on demand the reasonable expenses of the Administrative Agent and the Note Purchaser (including the reasonable out-of-pocket and legal expenses of the Administrative Agent and the Note Purchaser, if any) in connection with:

(A) the negotiation, preparation, execution, delivery and administration of this Agreement and of each other Basic Document, including schedules and exhibits, and the consummation of the transactions contemplated by this Agreement and the other Basic Documents; and

(B) any amendments, waivers, consents, supplements or other modifications to this Agreement or any other Basic Document as may from time to time hereafter be proposed.

(ii) The Issuer and the Seller further jointly and severally agree to (A) pay upon demand any stamp, documentary or other taxes which may be payable by the Note Purchaser in connection with the execution or delivery of this Agreement, or the issuance of the Notes or any other Basic Documents; and (B) hold and save the Administrative Agent and the Note Purchaser harmless from all liability for any breach by the Issuer of its obligations under this Agreement.

(iii) The Issuer shall pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent and each Noteholder, including without limitation the reasonable fees and disbursements of counsel to the Administrative Agent and each Noteholder, in connection with the occurrence or continuance of a Default or Event of Default and the enforcement, collection, protection or preservation (whether through negotiations, legal proceedings or otherwise) of this Agreement or any other Basic Document, the Collateral, any Obligation or any right, remedy, power or privilege of the Administrative Agent or each Noteholder hereunder or under any other Basic Document.

(b) INDEMNIFICATION. In consideration of the execution and delivery of this Agreement by the Note Purchaser and the Administrative Agent, the Issuer and the Seller, jointly and severally, hereby indemnify and hold the Note Purchaser and each of their respective officers, directors, employees and agents (collectively, the "INDEMNIFIED PARTIES") harmless from and against any and all actions, claims, penalties, judgments, causes of action, suits, losses, costs, liabilities and damages, and reasonable expenses incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought and including, without limitation, any liability in connection with the offering and sale of the Notes), including reasonable attorneys' fees and disbursements (collectively, the "INDEMNIFIED LIABILITIES"), incurred by the Indemnified Parties or any of them (whether in prosecuting or defending against such actions, suits or claims) in connection with, arising out of or in any way relating to any investigation, claim, litigation or other proceeding, pending or threatened (whether or not any of them is designated a party thereto) in connection with, as a result of, or arising out of, or relating to:

(i) any transaction financed or to be financed in whole or in part (including, without limitation, any Residual Interest Certificate constituting part of the Collateral), directly or indirectly, with the proceeds from the Notes including, without limitation, any claim, suit or action related to such transaction, which claim is based on a violation of Consumer Laws or any applicable vicarious liability statutes, or the use or operation of any financed vehicle relating to a Securitization Transaction by any Person;

(ii) this Agreement or any other Basic Document, or the entering into and performance of this Agreement or any other Basic Document by any of the Indemnified Parties;

(iii) the Issuer making any payment or prepayment of principal on any Note on a day which is not a Business Day;

(iv) any default by the Issuer in making any payment on the Notes on the due date therefore; or

(v) any acceleration of the maturity of any Notes by the Noteholders in accordance with the terms of this Agreement and the Indenture, including, but not limited to, any cost, loss or expense arising in liquidating the Notes and from interest or fees payable by the Noteholders to lenders of funds obtained by it in order to maintain the Notes hereunder;

except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the relevant Indemnified Party's gross negligence or willful misconduct, as determined by a court of competent jurisdiction in a final non-appealable judgment. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Issuer and the Seller hereby jointly and severally agree to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The indemnity set forth in this SECTION 9.05(b) shall in no event include indemnification for any Taxes (which indemnification is provided in Section 3.05). Upon the written request of the Note Purchaser or the Administrative Agent pursuant to this SECTION 9.05(b), the Issuer and the Seller shall promptly reimburse the Note Purchaser or the Administrative Agent for the amount of any such Indemnified Liabilities incurred by the Note Purchaser or the Administrative Agent.

SECTION 9.06 CHARACTERIZATION AS BASIC DOCUMENT; ENTIRE AGREEMENT. This Agreement shall be deemed to be a Basic Document for all purposes of the Indenture and the other Basic Documents. This Agreement, together with the Indenture, the Sale and Contribution Agreement, the Warrants, the Guaranty, the documents delivered pursuant to SECTION 6.01 and the other Basic Documents, including the exhibits and schedules thereto, contains a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all previous oral statements and other writings with respect thereto.

SECTION 9.07 NOTICES. All notices, amendments, waivers, consents and other communications provided to any party hereto under this Agreement shall be in writing and addressed, delivered or transmitted to such party at its address or email address set forth below its signature hereto or at such other address or email address as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid or if properly addressed and sent by pre-paid courier service, shall be deemed given when received by the intended recipient thereof, if transmitted by email, notice shall be deemed to have been duly given when transmitted by email (evidenced by telephonic or written confirmation of receipt of such email). Without limiting the obligation of the Issuer or CPS to deliver such information, if any information that is required to be delivered by the Issuer or CPS under this Agreement or any of the Basic Documents is material non-public information, the Issuer or CPS, as applicable, shall notify the Note Purchaser and the Administrative Agent in writing one Business Day prior to the delivery of such information.

SECTION 9.08 SEVERABILITY OF PROVISIONS. Any covenant, provision, agreement or term of this Agreement that is prohibited or is held to be void or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Agreement.

SECTION 9.09 TAX CHARACTERIZATION. Each party to this Agreement (a) acknowledges that it is the intent of the parties to this Agreement that, for accounting purposes and for all Federal, State and local income and franchise tax purposes, the Notes will be treated as evidence of indebtedness issued by the Issuer, (b) agrees to treat the Notes for all such purposes as indebtedness and (c) agrees that the provisions of the Basic Documents shall be construed to further these intentions.

SECTION 9.10 FULL RECOURSE TO ISSUER. The obligations of the Issuer under this Indenture and the other Basic Documents shall be full recourse obligations of the Issuer. Notwithstanding the foregoing, except as provided for in the Guaranty, no recourse shall be had for the payment of any amount owing in respect of this Agreement, including the payment of any fee hereunder or any other obligation or claim arising out of or based upon this Agreement, against any certificateholder, member, employee, officer, manager, director, affiliate or trustee of the Issuer; PROVIDED, HOWEVER, nothing in this SECTION 9.10 shall relieve any of the foregoing Persons from any liability that any such Person may otherwise have as expressly set forth in any Basic Document or for its gross negligence, bad faith or willful misconduct. Nothing contained in this Section shall limit or be deemed to limit any obligations of the Issuer, the Purchaser

or the Seller hereunder or under any other Basic Document, as applicable, which obligations are full recourse obligations of the Issuer, the Purchaser and the Seller.

SECTION 9.11 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 9.12 JURISDICTION. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY OF THE PARTIES HEREUNDER WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR (TO THE EXTENT PERMITTED BY LAW) FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF NEW YORK AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, ALL PARTIES HEREUNDER ACCEPT FOR THEMSELVES AND IN CONNECTION WITH THEIR PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT.

SECTION 9.13 WAIVER OF JURY TRIAL. ALL PARTIES HEREUNDER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS NOTE PURCHASE AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE PARTIES IN CONNECTION HEREWITH OR THEREWITH. ALL PARTIES ACKNOWLEDGE AND AGREE THAT THEY HAVE RECEIVED FULL AND SIGNIFICANT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ALL PARTIES TO ENTER INTO THIS AGREEMENT.

SECTION 9.14 COUNTERPARTS. This Agreement may be executed in any number of counterparts (which may include facsimile) and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, and all of which together shall constitute one and the same instrument.

SECTION 9.15 SET-OFF. The obligations of the Issuer, the Purchaser and the Seller hereunder are absolute and unconditional and each of the Issuer, the Purchaser and the Seller expressly waives any and all rights of set-off, abatement, diminution or deduction that the Issuer, the Purchaser or the Seller may otherwise at any time have under applicable law.

(a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of such rights, during the continuance of any Event of Default under the Indenture:

(i) the Note Purchaser is hereby authorized at any time and from time to time, without notice to the Purchaser or the Issuer, such notice being hereby expressly waived, to set-off any obligation owing by the Note Purchaser or any of its Affiliates to the Purchaser or the Issuer, or against any funds or other property of the Purchaser or the Issuer, held by or otherwise in the possession of the Note Purchaser or any of its Affiliates, the respective obligations of the Purchaser and the Issuer to the Note Purchaser under this Agreement and the other Basic Documents and irrespective of whether or not the Note Purchaser shall have made any demand hereunder or thereunder;

(ii) each of the Administrative Agent, the Noteholders and the Note Purchaser is hereby authorized at any time and from time to time, without notice to the Seller, such notice being hereby expressly waived, to set-off (a) any obligation owing by the Administrative Agent, any Noteholder or the Note Purchaser or any of its Affiliates to the Seller or (b) against any funds or other property of the Seller held by or otherwise in the possession of the Administrative Agent, any Noteholder or the Note Purchaser or any of its Affiliates, in each case, the respective obligations of the Seller to the Administrative Agent, any Noteholder or the Note Purchaser under this Agreement and the other Basic Documents and irrespective of whether or not the Administrative Agent, such Noteholder or the Note Purchaser shall have made any demand hereunder or thereunder; and

(iii) without limitation of the foregoing, each of the Administrative Agent, the Noteholders, the Note Purchaser and any Affiliate of the Administrative Agent, the Noteholders or the Note Purchaser is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by any of the Administrative Agent, the Noteholders, the Note Purchaser or any of their respective Affiliates to or for the credit or the account of the Seller or the Issuer against any and all of the obligations now or hereafter existing whether or not the Administrative Agent, the Noteholders or the Note Purchaser shall have made any demand under this Agreement or any other Basic Document and even though such obligations may be unmatured. Each of the Administrative Agent, the Noteholders and, the Note Purchaser agrees promptly to notify the Issuer after any such set-off and application made by any of the Administrative Agent, the Noteholders or the Note Purchaser; PROVIDED, HOWEVER, that the failure to give such notice shall not affect the validity of such set-off and application.

The rights of each of the Administrative Agent, the Noteholders and the Note Purchaser under this SECTION 9.15 are in addition to the other rights and remedies (including other rights of set-off) that any of the Administrative Agent, the Noteholders and the Note Purchaser may have.

SECTION 9.16 NONPETITION COVENANTS. Notwithstanding any prior termination of this Agreement, the Seller shall not, prior to the date that is one year and one day after the day upon which the outstanding principal amount of the Notes has been reduced to zero and all Issuer Secured Obligations have been paid in full, acquiesce, petition or otherwise invoke or cause the Purchaser or the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Purchaser or the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Purchaser of the Issuer or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Purchaser or the Issuer.

SECTION 9.17 ASSIGNMENT; PARTICIPATIONS. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither CPS nor the Issuer may assign any of its respective rights or obligations hereunder, under the Notes or under any other Basic Document without the prior written consent of the Administrative Agent. The Note Purchaser may assign, participate or otherwise transfer to any Affiliate of the Note Purchaser or any other Person all or any of its rights or obligations under this Agreement and the other Basic Documents. CPS and the Issuer agree to cooperate with the Note Purchaser in connection with any such assignment or transfer, to execute and deliver such replacement notes, and to enter into such restatements of, and amendments, supplements and other modifications to, this Agreement and the other Basic Documents in order to give effect to such assignment or transfer.

SECTION 9.18 NOTE PURCHASER'S RIGHT TO PLEDGE. Nothing in this Agreement shall preclude the Note Purchaser from engaging in transactions with third parties involving the selling pursuant to a repurchase arrangement, pledging or hypothecating of the Collateral, but no such transaction shall relieve the Note Purchaser of its obligations hereunder. Notwithstanding any such sale, pledge or hypothecation of the Collateral, the Issuer shall be entitled to deal solely with the Note Purchaser with respect to such Collateral and shall not be required to deal with any such third party unless a Default or Event of Default shall have occurred and be continuing. The Note Purchaser hereby grants to Issuer the right to perform in the Note Purchaser's stead under any repurchase, reverse repurchase, loan or similar transaction in which the Note Purchaser has sold, pledged or otherwise transferred any Pledged Residual Interest Assets in the event that the Note Purchaser has defaulted on its obligations to repurchase or accept redelivery of such Pledged Residual Interest Assets in conformity with the terms of any such transaction and so long as an Event of Default hereunder by the Issuer shall not have occurred and be continuing.

SECTION 9.19 SPECIFIC PERFORMANCE. Each of the Seller and the Issuer expressly agrees that any breach or threatened breach of any duty, covenant, undertaking, indemnity, agreement or obligation hereunder or under any other Basic Document will cause irreparable harm to the Noteholder, the Note Purchaser and the Administrative Agent and the Noteholder, the Note Purchaser and the Administrative Agent shall be entitled, in addition to any other rights or remedies provided hereunder, thereunder or otherwise by law or in equity, to injunctive relief, any application for which neither the Seller nor the Issuer shall oppose.

[Remainder of Page Intentionally Blank]

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

FOLIO FUNDING II, LLC

By:

Name:

Title:

Address: 16355 Laguna Canyon Road
Irvine, California 92618

Attention: General Counsel
Telephone: (949) 785-6691
Email address: mcreatura@consumerportfolio.com

CONSUMER PORTFOLIO SERVICES, INC.

By:

Name:

Title:

Address: 16355 Laguna Canyon Road
Irvine, California 92618

Attention: General Counsel
Telephone: (949) 785-6691
Email address: mcreatura@consumerportfolio.com

CITIGROUP FINANCIAL PRODUCTS INC.,
AS NOTE PURCHASER AND ADMINISTRATIVE AGENT

By:

Name:

Title:

By:

Name:

Title:

Citigroup Financial Products Inc.
390 Greenwich Street
New York New York 10013
Attention: Ari Rosenberg, Managing Director
email: ari.rosenberg@citi.com
Telephone No.: 212-723-1041

Attention: Marc Daly, Vice President
email:
Telephone No.: 212-723-4571

with a copy to:
Citigroup Global Securitized Products
450 Mamaroneck Avenue
Harrison, NY 10528
Attention: Robert Kohl, Senior Vice President
email:
Telephone No.: 914-899-7142
Attention: John Koterbay, Vice President
email:
Telephone No.: 914-899-7155

ANNEX A

TO NOTE PURCHASE AGREEMENT

DEFINED TERMS

"ABS ISSUANCE AGREEMENTS" means, for any Pledged Residual Interest Certificates, the agreements pursuant to which such Pledged Residual Interest Certificates have been issued, including without limitation any agreements relating to the payment or distribution of amounts to the holder of such Pledged Residual Interest Certificates.

"ACT" has the meaning specified in SECTION 11.3 of the Indenture.

"ADMINISTRATIVE AGENT" means Citigroup Financial Products Inc. or any successor thereto under the Basic Documents.

"ADMINISTRATIVE AGENT FEE" has the meaning specified in SECTION 3.02(a), of the Note Purchase Agreement.

"AFFILIATE" of any Person means any Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with such Person. For purposes of this definition, the term "CONTROL" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "CONTROLLING", "CONTROLLED BY" and "UNDER COMMON CONTROL WITH" have meanings correlative to the foregoing. In addition, for purposes of this definition, any fund or investment vehicle, whether existing as of the Initial Closing Date or thereafter formed, which is managed by any Person, shall be deemed to by an "AFFILIATE" of such Person. Furthermore, for purposes of this definition, none of (i) Levine Leichtman Capital Partners, IV, (ii) Citigroup Financial Products, Inc. or (iii) Charles E. Bradley, Jr. shall be deemed to be an "AFFILIATE" of CPS or any of its Subsidiaries.

"AGGREGATE INVESTED AMOUNT" means, as of any date of determination, the sum of the Class A-1 Invested Amount and the Class A-2 Invested Amount.

"ASSIGNMENT" means an assignment from the Seller to the Purchaser with respect to the Residual Interest Assets conveyed by the Seller to the Purchaser on a Transfer Date, in substantially the form of EXHIBIT B to the Sale and Contribution Agreement.

"AUTHORIZED OFFICER" means the Chief Executive Officer, the Chief Financial Officer or the Chief Investment Officer of the Seller, the Purchaser or the Issuer, as applicable.

"AVAILABLE FUNDS" means, for each Settlement Date, the sum of the following amounts with respect to the related Interest Period, without duplication: (i) all amounts paid or received in respect of the Collateral and deposited into the Collection Account; (ii) all income from Eligible Investments or other amounts held in the Collection Account; (iii) all other proceeds of the Collateral to the extent received by the Issuer, CPS or the Trustee.

"BANKRUPTCY CODE" means the Bankruptcy Reform Act of 1978, as amended from time to time, and as codified as 11 U.S.C. Section 101 ET SEQ.

"BASIC DOCUMENTS" means the Note Purchase Agreement (including this Annex A), the Notes, the Indenture, the Sale and Contribution Agreement, the LLC Agreement, each Assignment, the Guaranty, the Warrants and any other documents and certificates delivered in connection therewith, as any of the foregoing may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"BUSINESS DAY" means any (i) day other than a Saturday, a Sunday or other day on which commercial banks located in the states of Minnesota, California or New York are authorized or obligated to be closed and (ii) if the applicable Business Day relates to the determination of LIBOR, a day which is a day described in clause (i) above which is also a day for trading by and between banks in the London interbank eurodollar market.

"CHANGE OF CONTROL" means a change resulting when (i) the Seller no longer owns 100% of the membership interests in the Purchaser, (ii) the Seller or the Purchaser merges or consolidates with, or sells all or substantially all of its assets to any other Person, or (iii) any Unrelated Person or any Unrelated Persons, acting together, that would constitute a Group together with any Affiliates or Related Persons thereof (in each case also constituting Unrelated Persons) shall at any time Beneficially Own more than 50% of the aggregate voting power of all classes of Voting Stock of the Seller. As used herein, (a) "Beneficially Own" shall mean "beneficially own" as defined in Rule 13d-3 of the Exchange Act, or any successor provision thereto; provided, however, that, for purposes of this definition, a Person shall not be deemed to Beneficially Own securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates until such tendered securities are accepted for purchase or exchange; (b) "Group" shall mean a "group" for purposes of Section 13(d) of the Exchange Act; (c) "Unrelated Person" shall mean at any time any Person other than the Seller or any of its Subsidiaries and other than any trust for any employee benefit plan of the Seller or any of its Subsidiaries; (d) "Related Person" shall mean any other Person owning (1) 5% or more of the outstanding common stock of such Person, or (2) 5% or more of the Voting Stock of such Person; and (e) "Voting Stock" of any Person shall mean the capital stock or other indicia of equity rights of such Person which at the time has the power to vote for the election of one or more members of the Board of Directors (or other governing body) of such Person.

"CLASS A PRINCIPAL COVERAGE RATIO" means as of any Determination Date, the ratio obtained by dividing (a) Available Funds with respect to the related Settlement Date less all amounts payable pursuant to clauses (i) through (iv) pursuant to Section 8.5 of the Indenture on the related Settlement Date by (b) the Required Noteholders' Principal Distributable Amount with respect to the related Settlement Date.

"CLASS A-1 APPLICABLE MARGIN" means 10.875%.

"CLASS A-1 AGGREGATE INVESTED AMOUNT" means the sum of the Class A-1 Individual Invested Amounts.

"CLASS A-1 DEFAULT APPLICABLE MARGIN" means the sum of (i) the Class A-1 Applicable Margin and (ii) 2.00%.

"CLASS A-1 FACILITY AMOUNT" means $10,000,000.

"CLASS A-1 FACILITY TERMINATION DATE" means the first to occur of (A) the Class A-1 Scheduled Maturity Date or (B) an Event of Default.

"CLASS A-1 FUNDING DATE" means prior to the Effective Date, each Business Day on which an advance under the Initial Class A-1 Notes occurred.

"CLASS A-1 HOLDERS" or "CLASS A-1 NOTEHOLDERS" means the Persons in whose name the Class A-1 Notes are registered on the Note Register, which on the Effective Date shall initially be Citigroup Financial Products Inc. or an Affiliate thereof.

"CLASS A-1 INDIVIDUAL INVESTED AMOUNT" means, with respect to a Class A-1 Noteholder, such Class A-1 Noteholder's portion of the Class A-1 Invested Amount, as determined by the Administrative Agent.

"CLASS A-1 INVESTED AMOUNT" means, with respect to any date of determination, the aggregate outstanding principal amount of the Class A-1 Notes at such date of determination.

"CLASS A-1 MAJORITY NOTEHOLDERS" means Holders of Class A-1 Notes that in the aggregate evidence more than 50% of the Class A-1 Aggregate Invested Amount.

"CLASS A-1 NOTES" has the meaning set forth in the preamble to the Indenture.

"CLASS A-1 NOTE INTEREST RATE" means for any day during any Interest Period the sum of (i) LIBOR for such day and (ii) the Class A-1 Applicable Margin (or if an Event of Default shall have occurred and be continuing, the Class A-1 Default Applicable Margin) for such day; PROVIDED, HOWEVER, that the Class A-1 Note Interest Rate will in no event be higher than the maximum rate permitted by law.

"CLASS A-1 NOTEHOLDERS' INTEREST CARRYOVER SHORTFALL" means, with respect to any Settlement Date, the excess of the Class A-1 Noteholders' Interest Distributable Amount for the preceding Settlement Date over the amount that was actually deposited in the Note Distribution Account on such preceding Settlement Date on account of the Class A-1 Noteholders' Interest Distributable Amount.

"CLASS A-1 NOTEHOLDERS' INTEREST DISTRIBUTABLE AMOUNT" means, with respect to any Settlement Date, the sum of the Class A-1 Noteholders' Monthly Interest Distributable Amount for such Settlement Date and the Class A-1 Noteholders' Interest Carryover Shortfall for such Settlement Date, if any, plus interest on the Class A-1 Noteholders' Interest Carryover Shortfall, to the extent permitted by law, at the Class A-1 Note Interest Rate for the related Interest Period(s), from and including the preceding Settlement Date to, but excluding, the current Settlement Date.

"CLASS A-1 NOTEHOLDERS' MONTHLY INTEREST DISTRIBUTABLE AMOUNT" means, with respect to any Settlement Date, the sum of the interest amounts accrued on the Class A-1 Notes on each day during the related Interest Period. The interest amount accrued on the Class A-1 Notes on any day during any Interest Period shall equal the product of (i) the Class A-1 Note Interest Rate for such day and (ii) the Class A-1 Invested Amount on such day and (iii) 1/360.

"CLASS A-1 NOTEHOLDERS' PRINCIPAL DISTRIBUTABLE AMOUNT" means (A) with respect to any Settlement Date (other than any Settlement Date described in clauses (B) and (C) below) prior to the Class A-1 Facility Termination Date, the Required Noteholders' Principal Distributable Amount with respect to such Settlement Date or if such Required Noteholders' Principal Distributable Amount exceeds the Class A-1 Invested Amount on such Settlement Date, the portion of such Required Noteholders' Principal Distributable Amount required to reduce the Class A-1 Invested Amount to zero, (B) upon the occurrence of a Principal Coverage Ratio Violation with respect to the Determination Date related to any Settlement Date, for such Settlement Date only, all remaining Available Funds after making the distributions required by Section 8.5(i) through (iv) of the Indenture up to the Class A-1 Invested Amount as of such Settlement Date, (C) upon and subsequent to the occurrence of an Event of Default, with respect to each Settlement Date, the Class A-1 Invested Amount as of such Settlement Date and (D) on the Class A-1 Facility Termination Date, the Class A-1 Invested Amount on such Class A-1 Facility Termination Date.

"CLASS A-1 SCHEDULED MATURITY DATE" means June 15, 2009 or if the Class A-1 Term is extended pursuant to SECTION 2.02 of the Note Purchase Agreement, June 15, 2010.

"CLASS A-1 TERM" has the meaning given to such term in SECTION 2.02 of the Note Purchase Agreement.

"CLASS A-2 APPLICABLE MARGIN" means 10.875%.

"CLASS A-2 AGGREGATE INVESTED AMOUNT" means the sum of the Class A-2 Individual Invested Amounts.

"CLASS A-2 DEFAULT APPLICABLE MARGIN" means the sum of (i) the Class A-2 Applicable Margin and (ii) 2.00%.

"CLASS A-2 INDIVIDUAL INVESTED AMOUNT" means, with respect to a Class A-2 Noteholder, such Class A-2 Noteholder's portion of the Class A-2 Invested Amount, as determined by the Administrative Agent.

"CLASS A-2 FACILITY AMOUNT" means $60,000,000.

"CLASS A-2 FACILITY TERMINATION DATE" means the earlier of (a) the Class A-2 Scheduled Maturity Date, or (b) the date of the occurrence of an Event of Default.

"CLASS A-2 HOLDERS" or "CLASS A-2 NOTEHOLDERS" means the Person in whose name the Class A-2 Notes are registered on the Note Register, which on the Effective Date shall initially be Citigroup Financial Products Inc. or an Affiliate thereof.

"CLASS A-2 INVESTED AMOUNT" means, with respect to any date of determination, the aggregate outstanding principal amount of the Class A-2 Notes at such date of determination.

"CLASS A-2 MAJORITY NOTEHOLDERS" means Holders of Class A-2 Notes that in the aggregate evidence more than 50% of the Class A-2 Aggregate Invested Amount.

"CLASS A-2 NOTES" has the meaning set forth in the preamble to the Indenture.

"CLASS A-2 NOTE INTEREST RATE" means for any day during any Interest Period the sum of (i) LIBOR for such day and (ii) the Class A-2 Applicable Margin (or if an Event of Default shall have occurred and be continuing, the Class A-2 Default Applicable Margin) for such day; PROVIDED, HOWEVER, that the Class A-2 Note Interest Rate will in no event be higher than the maximum rate permitted by law.

"CLASS A-2 NOTEHOLDERS' INTEREST CARRYOVER SHORTFALL" means, with respect to any Settlement Date, the excess of the Class A-2 Noteholders' Interest Distributable Amount for the preceding Settlement Date over the amount that was actually deposited in the Note Distribution Account on such preceding Settlement Date on account of the Class A-2 Noteholders' Interest Distributable Amount.

"CLASS A-2 NOTEHOLDERS' INTEREST DISTRIBUTABLE AMOUNT" means, with respect to any Settlement Date, the sum of the Class A-2 Noteholders' Monthly Interest Distributable Amount for such Settlement Date and the Class A-2 Noteholders' Interest Carryover Shortfall for such Settlement Date, if any, plus interest on the Class A-2 Noteholders' Interest Carryover Shortfall, to the extent permitted by law, at the Class A-2 Note Interest Rate for the related Interest Period(s), from and including the preceding Settlement Date to, but excluding, the current Settlement Date.

"CLASS A-2 NOTEHOLDERS' MONTHLY INTEREST DISTRIBUTABLE AMOUNT" means, with respect to any Settlement Date, the sum of the interest amounts accrued on the Class A-2 Notes on each day during the related Interest Period. The interest amount accrued on the Class A-2 Notes on any day during any Interest Period shall equal the product of (i) the Class A-2 Note Interest Rate for such day and (ii) the Class A-2 Invested Amount on such day and (iii) 1/360.

"CLASS A-2 NOTEHOLDERS' PRINCIPAL DISTRIBUTABLE AMOUNT" means (A) with respect to any Settlement Date (other than any Settlement Date described in clauses (D), (E) and (F) below) prior to which the Class A-1 Notes have been paid in full, zero, (B) with respect to any Settlement Date (other than any Settlement Date described in clauses (D), (E) and (F) below) on which a portion of the Required Noteholders' Principal Distributable Amount with respect to such Settlement Date has been applied in an amount sufficient to reduce the Class A-1 Notes to zero, any remaining Required Noteholders' Principal Distributable Amount, (C) with respect to any Settlement Date after the Class A-1 Notes have been paid in full (other than any Settlement Date described in clauses (D), (E) and (F) below) and prior to the Class A-2 Facility Termination Date, the Required Noteholders' Principal Distributable Amount with respect to such Settlement Date, (D) upon the occurrence of a Principal Coverage Ratio Violation with respect to the Determination Date related to any Settlement Date, for such Settlement Date only, all remaining Available Funds after making the distributions required by Section 8.5(i) through (v) of the Indenture up to the Class A-2 Invested Amount as of such Settlement Date, (E) upon and subsequent to the occurrence of an Event of Default, with respect to each Settlement Date, the Class A-2 Invested Amount as of such Settlement Date and (F) on the Class A-2 Facility Termination Date, the Class A-2 Invested Amount on such Class A-2 Facility Termination Date.

"CLASS A-2 SCHEDULED MATURITY DATE" means June 15, 2009 or if the Class A-2 Term is extended pursuant to SECTION 2.02 of the Note Purchase Agreement, June 15, 2010.

"CLASS A-2 TERM" has the meaning given to such term in SECTION 2.02 of the Note Purchase Agreement.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and Treasury Regulations promulgated thereunder.

"COLLATERAL" has the meaning specified in the Granting Clause of the Indenture.

"COLLATERAL DEFICIENCY" means as of any Valuation Date, the positive excess, if any, of the Aggregate Invested Amount of the Notes as of such date of determination over the aggregate market value, as determined by the Administrative Agent in its sole reasonable discretion, of the Pledged Residual Interest Certificates issued pursuant to the Eligible Committed Securitizations as of such date of determination.

"COLLECTION ACCOUNT" means the account designated as such, established and maintained pursuant to SECTION 8.2 of the Indenture.

"COLLECTION ACCOUNT PROPERTY" means all amounts and investments held from time to time in the Collection Account (whether in the form of deposit accounts, Physical Property, book-entry securities, uncertificated securities or otherwise), and all proceeds of the foregoing.

"COMMISSION" means the United States Securities and Exchange Commission.

"COMPLIANCE CERTIFICATE" means an Officer's Certificate of each of CPS and the Issuer certifying that there has not been a breach of any representation, warranty or covenant of CPS or the Issuer set forth in any of the Basic Documents.

"CONFIRMATION STATEMENT" means, with respect to any transfer of Residual Interest Certificates to the Purchaser pursuant to SECTION 2.1 of the Sale and Contribution Agreement, notice of the Seller's election to transfer Residual Interest Certificates to the Purchaser, such notice to designate the related Transfer Date and the Transfer Value of the Residual Interest Certificates to be transferred by the Seller to the Purchaser on such Transfer Date.

"CONSOLIDATED TOTAL ADJUSTED EQUITY" of any Person means, with respect to any fiscal quarter, the total shareholders' equity of such Person and its consolidated Subsidiaries that, in accordance with GAAP, is reflected on the consolidated balance sheet of such Person and its consolidated Subsidiaries for such fiscal quarter, MINUS the aggregate amount of such Person's and its consolidated Subsidiaries intangible assets, including without limitation, goodwill, franchises, licenses, patents, trademarks, tradenames, copyrights and service marks.

"CONSUMER LAWS" means federal and State interest and usury laws, the federal Truth-in-Lending Act and its implementing Federal Reserve Board Regulation Z, the federal Equal Credit Opportunity Act and its implementing Federal Reserve Board Regulation B, the federal Fair Credit Reporting Act, the federal Fair Debt Collection Practices Act, the Federal Trade Commission Act and all applicable Federal Trade Commission Trade Regulation Rules, the Magnuson-Moss Warranty Act, the Servicemembers Civil Relief Act, the California Military Reservist Relief Act and any other federal, state or local law relating to credit extensions to servicemembers, the Texas Consumer Credit Code, the California Automobile Sales Finance Act and the laws of any other state relating to retail installment sales of motor vehicles and ancillary products and/or services, State adaptations of the National Consumer Act and of the Uniform Consumer Credit Code, all other federal, State and local consumer credit laws and other consumer protection laws relating to the conduct of the business of CPS, laws requiring the licensing of sale finance companies and/or lenders, the Uniform Commercial Code as it relates to secured retail installment sales and secured loans, state and local laws proscribing unlawful, unfair and/or deceptive acts and practices, federal, state and local laws relating to privacy and/or data security, and any rules, regulations and/or interpretations of the foregoing laws.

"CORPORATE TRUST OFFICE" means with respect to the Trustee, the principal office of the Trustee at which at any particular time its corporate trust business shall be administered which office is located at Sixth Street and Marquette Avenue, MAC N9311-161, Minneapolis, Minnesota 55479, email: CTSABSSERVICER@WELLSFARGO.COM or at such other address as the Trustee may designate from time to time by notice to the Note Purchaser, the Seller, the Issuer, or the principal corporate trust office of any successor Trustee (the address of which the successor Trustee will notify the Note Purchaser).

"CPS" means Consumer Portfolio Services, Inc., a California corporation.

"DEFAULT" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"DEFAULT APPLICABLE MARGIN" means the Class A-1 Default Applicable Margin or the Class A-2 Default Applicable Margin, as applicable.

"DELIVERY" means, when used with respect to Collection Account Property:

(i) the perfection and priority of a security interest in such Collection Account Property which is governed by the law of a jurisdiction which has adopted the 1978 Revision to Article 8 of the UCC (and not the 1994 Revision to Article 8 of the UCC as referred to in (II) below):

(a) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "INSTRUMENTS" within the meaning of Section 9-102(a)(47) of the UCC and are susceptible of physical delivery, transfer thereof to the Trustee or its nominee or custodian by physical delivery to the Trustee or its nominee or custodian endorsed to, or registered in the name of, the Trustee or its nominee or custodian or endorsed in blank, and, with respect to a certificated security (as defined in Section 8-102 of the UCC), transfer thereof (1) by delivery of such certificated security endorsed to, or registered in the name of, the Trustee or its nominee or custodian or endorsed in blank to a financial intermediary (as defined in Section 8-313 of the UCC) and the making by such financial intermediary of entries on its books and records identifying such certificated securities as belonging to the Trustee or its nominee or custodian and the sending by such financial intermediary of a confirmation of the purchase of such certificated security by the Trustee or its nominee or custodian, or (2) by delivery thereof to a "CLEARING CORPORATION" (as defined in Section 8-102(3) of the UCC) and the making by such clearing corporation of appropriate entries on its books reducing the appropriate securities account of the transferor and increasing the appropriate securities account of a financial intermediary by the amount of such certificated security, the identification by the clearing corporation of the certificated securities for the sole and exclusive account of the financial intermediary, the maintenance of such certificated securities by such clearing corporation or a "CUSTODIAN BANK" (as defined in Section 8-102(4) of the UCC) or the nominee of either subject to the clearing corporation's exclusive control, the sending of a confirmation by the financial intermediary of the purchase by the Trustee or its nominee or custodian of such securities and the making by such financial intermediary of entries on its books and records identifying such certificated securities as belonging to the Trustee or its nominee or custodian (all of the foregoing, "PHYSICAL Property"), and, in any event, any such Physical Property in registered form shall be in the name of the Trustee or its nominee or custodian; and such additional or alternative procedures as may hereafter become appropriate to effect the complete transfer of ownership of any such Collection Account Property to the Trustee or its nominee or custodian, consistent with changes in applicable law or regulations or the interpretation thereof;

(b) with respect to any security issued by the U.S. Treasury, the Federal Home Loan Mortgage Corporation or by the Federal National Mortgage Association that is a book-entry security held through the Federal Reserve System pursuant to Federal book-entry regulations, the following procedures, all in accordance with applicable law, including applicable Federal regulations and Articles 8 and 9 of the UCC: book-entry registration of such Collection Account Property to an appropriate book-entry account maintained with a Federal Reserve Bank by a financial intermediary which is also a "DEPOSITORY" pursuant to applicable Federal regulations and issuance by such financial intermediary of a deposit advice or other written

confirmation of such book-entry registration to the Trustee or its nominee or custodian of the purchase by the Trustee or its nominee or custodian of such book-entry securities; the making by such financial intermediary of entries in its books and records identifying such book-entry security held through the Federal Reserve System pursuant to Federal book-entry regulations as belonging to the Trustee or its nominee or custodian and indicating that such custodian holds such Collection Account Property solely as agent for the Trustee or its nominee or custodian; and such additional or alternative procedures as may hereafter become appropriate to effect complete transfer of ownership of any such Collection Account Property to the Trustee or its nominee or custodian, consistent with changes in applicable law or regulations or the interpretation thereof; and

(c) with respect to any item of Collection Account Property that is an uncertificated security under Article 8 of the UCC and that is not governed by CLAUSE (B) above, registration on the books and records of the issuer thereof in the name of the financial intermediary, the sending of a confirmation by the financial intermediary of the purchase by the Trustee or its nominee or custodian of such uncertificated security, the making by such financial intermediary of entries on its books and records identifying such uncertificated securities as belonging to the Trustee or its nominee or custodian; or

(ii) the perfection and priority of a security interest in such Collection Account Property which is governed by the law of a jurisdiction which has adopted the 1994 Revision to Article 8 of the UCC:

(a) with respect to bankers' acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute "INSTRUMENTS" within the meaning of Section 9-102(a)(47) of the UCC (other than certificated securities) and are susceptible of physical delivery, transfer thereof to the Trustee by physical delivery to the Trustee, indorsed to, or registered in the name of, the Trustee or its nominee or indorsed in blank and such additional or alternative procedures as may hereafter become appropriate to effect the complete transfer of ownership of any such Collection Account Property to the Trustee free and clear of any adverse claims, consistent with changes in applicable law or regulations or the interpretation thereof;

(b) with respect to a "CERTIFICATED SECURITY" (as defined in Section 8-102(a)(4) of the UCC), transfer thereof:

(1) by physical delivery of such certificated security to the Trustee, PROVIDED that if the certificated security is in registered form, it shall be indorsed to, or registered in the name of, the Trustee or indorsed in blank;

(2) by physical delivery of such certificated security in registered form to a "SECURITIES intermediary" (as defined in Section 8-102(a)(l4) of the UCC) acting on behalf of the Trustee if the certificated security has been specially indorsed to the Trustee by an effective indorsement.

(c) with respect to any security issued by the U.S. Treasury, the Federal Home Loan Mortgage Corporation or by the Federal National Mortgage Association that is a book-entry security held through the Federal Reserve System pursuant to Federal book entry regulations, the following procedures, all in accordance with applicable law, including applicable federal regulations and Articles 8 and 9 of the UCC: book-entry registration of such property to an appropriate book-entry account maintained with a Federal Reserve Bank by a securities intermediary which is also a "DEPOSITARY" pursuant to applicable federal regulations and issuance by such securities intermediary of a deposit advice or other written confirmation of such book-entry registration to the Trustee of the purchase by the securities intermediary on behalf of the Trustee of such book-entry security; the making by such securities intermediary of entries in its books and records identifying such book-entry security held through the Federal Reserve System pursuant to Federal book-entry regulations as belonging to the Trustee and indicating that such securities intermediary holds such book-entry security solely as agent for the Trustee; and such additional or alternative procedures as may hereafter become appropriate to effect complete transfer of ownership of any such Collection Account Property to the Trustee free of any adverse claims, consistent with changes in applicable law or regulations or the interpretation thereof;

(d) with respect to any item of Collection Account Property that is an "UNCERTIFICATED SECURITY" (as defined in Section 8-102(a)(18) of the UCC) and that is not governed by CLAUSE (C) above, transfer thereof:

(1) (A) by registration to the Trustee as the registered owner thereof, on the books and records of the issuer thereof;

(B) by another Person (not a securities intermediary) who either becomes the registered owner of the uncertificated security on behalf of the Trustee, or having become the registered owner acknowledges that it holds for the Trustee;

(2) the issuer thereof has agreed that it will comply with instructions originated by the Trustee without further consent of the registered owner thereof;

(e) with respect to a "SECURITY ENTITLEMENT" (as defined in Section 8-102(a)(17) of the UCC):

(1) if a securities intermediary (A) indicates by book entry that a "FINANCIAL ASSET" (as defined in Section 8-102(a)(9) of the UCC) has been credited to the Trustee's "SECURITIES ACCOUNT" (as defined in Section 8-501(a) of the UCC), (B) receives a financial asset (as so defined) from the Trustee or acquires a financial asset for the Trustee, and in either case, accepts it for credit to the Trustee's securities account (as so defined), (C) becomes obligated under other law, regulation or rule to credit a financial asset to the Trustee's securities account, or (D) has agreed that it will comply with "ENTITLEMENT ORDERS" (as defined in Section 8-102(a)(8) of the UCC) originated by the Trustee, without further consent by the "ENTITLEMENT HOLDER" (as defined in Section 8-l02(a)(7) of the UCC), of a confirmation of the purchase and the making by such securities intermediary of entries on its books and records identifying as belonging to the Trustee of (I) a specific certificated security in the securities intermediary's possession, (II) a quantity of securities that constitute or are part of a fungible bulk of certificated securities in the securities intermediary's possession, or (III) a quantity of securities that constitute or are part of a fungible bulk of securities shown on the account of the securities intermediary on the books of another securities intermediary;

(f) in each case of delivery contemplated pursuant to CLAUSES (A) through (E) of SUBSECTION (ii) hereof, the Trustee shall make appropriate notations on its records, and shall cause the same to be made on the records of its nominees, indicating that such Trust Property which constitutes a security is held in trust pursuant to and as provided in the Sale and Contribution Agreement.

"DETERMINATION DATE" means, with respect to any Settlement Date, the third Business Day preceding such Settlement Date.

"DOLLAR" means lawful money of the United States.

"EFFECTIVE DATE" means July 10, 2008.

"ELIGIBLE ACCOUNT" means either (i) a segregated trust account that is maintained with a depository institution acceptable to the Note Purchaser, or (ii) a segregated direct deposit account maintained with a depository institution or trust company organized under the laws of the United States of America, or any of the States thereof, or the District of Columbia, having a certificate of deposit, short-term deposit or commercial paper rating of at least "A-1+" by Standard & Poor's and "P-1" by Moody's and acceptable to the Administrative Agent.

"ELIGIBLE COMMITTED SECURITIZATION" means an outstanding Securitization Transaction that is not subject to a "Default" with respect to a material breach or an "Event of Default" as such terms are defined under the related Securitization Transaction Documents.

"ELIGIBLE INVESTMENTS" mean book-entry securities, negotiable instruments or securities represented by instruments in bearer or registered form which evidence:

(a) direct obligations of, and obligations fully guaranteed as to the full and timely payment by, the United States of America;

(b) demand deposits, time deposits or certificates of deposit of any depository institution or trust company incorporated under the laws of the United States of America or any State thereof (or any domestic branch of a foreign bank) and subject to supervision and examination by Federal or State banking or depository institution authorities; PROVIDED, HOWEVER, that at the time of the investment or contractual commitment to invest therein, the commercial paper or other short-term unsecured debt obligations (other than such obligations the rating of which is based on the credit of a Person other than such depository institution or trust company) thereof shall be rated "A-1+" or better by Standard & Poor's and "P-1" by Moody's;

(c) commercial paper that, at the time of the investment or contractual commitment to invest therein, is rated "A-1+" or better by Standard & Poor's and "P-1" by Moody's;

(d) bankers' acceptances issued by any depository institution or trust company referred to in CLAUSE (b) above;

(e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed as to the full and timely payment by, the United States of America or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States of America, in either case entered into with (i) a depository institution or trust company (acting as principal) described in CLAUSE (b) or (ii) a depository institution or trust company whose commercial paper or other short term unsecured debt obligations are rated "A-1+" or better by Standard & Poor's and "P-1" by Moody's and long term unsecured debt obligations are rated "AAA" by Standard & Poor's and "AAA" by Moody's;

(f) with the prior written consent of the Note Purchaser, money market mutual funds registered under the Investment Company Act of 1940, as amended, having a rating, at the time of such investment, from each of Standard & Poor's and Moody's in the highest investment category granted thereby; and

(g) any other investment as may be acceptable to the Note Purchaser, as evidenced by a writing to that effect, as may from time to time be confirmed in writing to the Trustee by the Administrative Agent.

Any of the foregoing Eligible Investments may be purchased by or through the Trustee or any of its Affiliates.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"EVENT OF DEFAULT" has the meaning specified in SECTION 5.1 of the Indenture.

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

"EXCLUDED SUBSIDIARY" shall mean each of (i) CPS Leasing, Inc., (ii) CPS Marketing, Inc., (iii) TFC Enterprises, LLC, (iv) Mercury Finance Company, LLC, (v) each Subsidiary of Mercury Finance Company, LLC, (vi) Page Funding, LLC and (vii) Page Three Funding, LLC.

"EXTENSION NOTICE" has the meaning specified in SECTION 2.02 of the Note Purchase Agreement.

"EXECUTIVE OFFICER" means, with respect to any corporation, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President, Senior Vice President, any Vice President, the Secretary or the Treasurer of such corporation; with respect to any limited liability company, the manager and any individuals appointed to any of the preceding offices by the manager; and with respect to any partnership, any general partner thereof.

"EXTENSION BREACH" means, as of any date of determination, one or more of the following: (i) there has been more than one prior occurrence (whether or not then continuing) of an Event of Default; (ii) there has been more than two prior occurrences (whether or not then continuing) of a Principal Coverage Ratio Violation; (iii) an Event of Default or a Principal Coverage Ratio Violation (whether or not then continuing) has occurred during the 60 days prior to the date of delivery of the Extension Notice; or (iv) as of the Originally Scheduled Facility Termination Date, a Default or an Event of Default shall have occurred and is continuing.

"FACILITY" means the transactions contemplated by the Basic Documents.

"FACILITY TERMINATION DATE" means, with respect to the Class A-1 Notes, the Class A-1 Facility Termination Date and with respect to the Class A-2 Notes, the Class A-2 Facility Termination Date.

"FDIC" means the Federal Deposit Insurance Corporation.

"FEE SCHEDULE" means that certain notice captioned "Schedule of Fees for CPS - Citigroup Residual Warehouse" from Wells Fargo Bank, National Association, as acknowledged by CPS as of July 11, 2007.

"FUNDING DATE" means, with respect to the Class A-1 Notes, a Class A-1 Funding Date and with respect to the Class A-2 Notes, the Initial Funding Date.

"FUNDING TRUST" means CPS Receivables Funding Trust, a Delaware statutory trust.

"FUNDING TRUST CERTIFICATE" means a certificate issued by Funding Trust that evidences a 100% fractional undivided ownership interest in one or more instruments or certificates, each of which evidences not less than 99.00% of the residual interest in a Trust and represents the right to receive amounts to be distributed or paid to the holders of the residual interests pursuant to the related Securitization Transaction Documents.

"GAAP" means U.S. generally accepted accounting principles occasioned by the promulgation of rules, regulations, pronouncements or opinions by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants or the Securities and Exchange Commission (or successors thereto or agencies with similar functions) from time to time.

"GOVERNMENTAL AUTHORITY" means the United States of America, any nation, government, state, local or other political subdivision thereof or any court, entity or agency exercising executive, legislative, judicial, regulatory, or administrative functions thereof pertaining thereto.

"GRANT" means to mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, create, grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to the Indenture. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including, as and to the extent provided in the Basic Documents, the immediate and continuing right (after an Event of Default) to claim for, collect, receive and give receipt for principal and interest payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring proceedings in the name of the granting party or otherwise and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"GUARANTOR" means Consumer Portfolio Services, Inc., a California corporation.

"GUARANTY" means the Performance Guaranty dated as of July 10, 2008, by CPS, as the guarantor, in favor of the Noteholder, Note Purchaser, the Administrative Agent and their successors and permitted assigns, substantially in the form attached as EXHIBIT B to the Note Purchase Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"HOLDER" or "NOTEHOLDER" means a Class A-1 Noteholder or a Class A-2 Noteholder, as the context may require.

"INDEBTEDNESS" means, with respect to any Person at any time, any (a) indebtedness or liability of such Person for borrowed money whether or not evidenced by bonds, debentures, notes, repurchase agreements and similar arrangements, or other instruments, or for the deferred purchase price of property or services (including trade obligations); (b) obligations of such Person as lessee under leases which should be, in accordance with GAAP, recorded as capital leases; (c) current liabilities of such Person in respect of unfunded vested benefits under plans covered by Title IV of ERISA; (d) obligations issued for or liabilities incurred on the account of such Person; (e) obligations or liabilities of such Person arising under acceptance facilities; (f) obligations of such Person under any guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or otherwise to assure a creditor against loss; (g) obligations of others secured by any lien on property or assets of such Person, whether or not the obligations have been assumed by such Person; or (h) obligations of such Person under any interest rate or currency exchange agreement.

"INDENTURE" means the Amended and Restated Indenture dated as of July 10, 2008, by and among the Issuer, the Administrative Agent and Wells Fargo Bank, National Association, as Trustee, as the same may be further amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"INDEPENDENT" means, when used with respect to any specified Person, that the person (a) is in fact independent of the Issuer, any other obligor upon the Notes, the Seller, the Purchaser and any Affiliate of any of the foregoing persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any other obligor on the Notes, the Seller, the Purchaser or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any other obligor on the Notes, the Seller, the Purchaser or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions.

"INITIAL CLASS A-1 NOTES" means up to $60,000,000 Class A-1 Variable Funding Notes issued by the Issuer on the Initial Funding Date.

"INITIAL CLASS A-2 NOTES" means the $60,000,000 Class A-2 Term Notes issued by the Issuer on the Initial Funding Date.

"INITIAL CLOSING DATE" means July 11, 2007.

"INITIAL FUNDING DATE" means July 13, 2007.

"INSOLVENCY EVENT" means, with respect to a specified Person, (a) the institution of a proceeding or the filing of a petition against such Person seeking the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person's affairs, and such proceeding or petition, decree or order shall remain unstayed or undismissed for a period of 60 consecutive days or an order or decree for the requested relief is earlier entered or issued; or (b) the commencement by such Person of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by, a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official for such Person or for any substantial part of

its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

"INTEREST PERIOD" means, for any Settlement Date on which interest is to be paid with respect to the Notes, the period from and including the most recent prior Settlement Date (or, in the case of the first Settlement Date, the Effective Date) to but excluding such current Settlement Date on which interest is to be paid.

"INVESTED AMOUNT" means, with respect to the Class A-1 Notes, the Class A-1 Invested Amount and with respect to the Class A-2 Notes, the Class A-2 Invested Amount.

"INVESTMENT COMPANY ACT" has the meaning set forth in SECTION 5.01(i)(f) of the Note Purchase Agreement.

"INVESTMENT EARNINGS" means, with respect to any Settlement Date and the Collection Account, the investment earnings on the Collection Account Property and deposited into the Collection Account during the related Interest Period pursuant to SECTION 8.3 of the Indenture.

"ISSUER" means Folio Funding II LLC until a successor replaces it in accordance with the terms of the Indenture and, thereafter, means the successor and, for purposes of any provision contained herein, each other obligor on the Notes.

"ISSUER SECURED OBLIGATIONS" has the meaning set forth in the Granting Clause of the Indenture.

"ISSUER SECURED PARTIES" has the meaning set forth in the Granting Clause of the Indenture.

"ISSUER ORDER" and "ISSUER REQUEST" means a written order or request signed in the name of the Issuer by any one of its Authorized Officers and delivered to the Trustee.

"LIBOR" means the rate for one-month deposits in U.S. dollars, which rate is determined on a daily basis by the Note Purchaser by reference to the British Bankers' Association LIBOR Rates on Bloomberg (or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits) on such date (or, if such date is not a Business Day, on the immediately preceding Business Day) at or about 11 a.m. New York City time; PROVIDED, HOWEVER, that if no rate appears on Bloomberg on any date of determination, LIBOR shall mean the rate for one-month deposits in U.S. Dollars which appears on the Reuters Screen LIBOR Page (as defined in the International Swap Dealers Association Inc. Code of Standard Wording, Assumptions and Provisions for Swaps, 1986 Edition) on any such date of determination; PROVIDED FURTHER, that if no rate appears on either Bloomberg or such Reuters Screen LIBOR Page on any such date of determination, LIBOR shall be determined as follows:

LIBOR will be determined at approximately 11:00 a.m., New York City time, on such day on the basis of (a) the arithmetic mean of the rates at which one-month deposits in U.S. dollars are offered to prime banks in the London interbank market by four (4) major banks in the London interbank market selected by the Note Purchaser and in a principal amount of not less than $200,000,000 that is representative for a single transaction in such market at such time, if at least two (2) such quotations are provided, or (b) if fewer than two (2) quotations are provided as described in the preceding clause (a), the arithmetic mean of the rates, as requested by the Note Purchaser, quoted by three (3) major banks in New York City, selected by the Note Purchaser, at approximately 11:00 A.M., New York City time, on such day, for one-month deposits in United States dollars to leading European banks and in a principal amount of not less than $200,000,000 that is representative for a single transaction in such market at such time.

"LIEN" means a security interest, lien, charge, pledge, equity, or other encumbrance of any kind.

"LITIGATION THRESHOLD" has the meaning set forth in SCHEDULE II to the Note Purchase Agreement.

"LLC AGREEMENT" means the Limited Liability Company Agreement of Folio Funding II LLC dated as of July 3, 2007, as such agreement may be further amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"MAJORITY NOTEHOLDERS" means the Class A-1 Majority Noteholders and the Class A-2 Majority Noteholders, collectively acting as a single class.

"MATERIAL ADVERSE CHANGE" means any event, matter, condition or circumstance which (a) materially and adversely affects the business, assets, condition (financial or otherwise), results of operations, properties (whether real, personal or otherwise) or prospects of (i) the Guarantor, the Seller, the Purchaser or the Issuer, in each case, individually or taken as a whole, or (ii) CPS and its Subsidiaries, taken as a whole; (b) materially impairs the ability of CPS or any of its Subsidiaries to perform or observe its obligations under any Basic Document to which it is a party; (c) materially impairs the rights, powers or remedies of the Note Purchaser or the Administrative Agent under any of the Basic Documents; (d) materially adversely affects the legality, binding affect, validity or enforceability of any of the Basic Documents; or (e) materially adversely affects the validity, attachment, perfection, priority or enforcement of any Liens granted in favor of the Trustee.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the Collateral; (b) the Guarantor, the Seller, the Purchaser or the Issuer, in each case, individually or taken as a whole; (c) any of the Basic Documents (including, without limitation, a material adverse effect on (i) the timely payment of the principal of or the interest on the Notes or any other amounts payable under the Basic Documents or (ii) the ability of the Guarantor, the Seller, the Purchaser or the Issuer to perform any of its obligations under any Basic Document to which it is a party) or (d) the interests of the Administrative Agent, the Note Purchaser or the Noteholders under the Basic Documents.

"MAXIMUM FACILITY INVESTED AMOUNT" means $70,000,000.

"MONTHLY SERVICER'S CERTIFICATE" has the meaning set forth in SECTION 7.01(i) of the Note Purchase Agreement.

"MOODY'S" means Moody's Investors Service, Inc., or its successor.

"MULTIEMPLOYER PLAN" means a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NOTES" means the Class A-1 Notes and/or the Class A-2 Notes, as the context may require.

"NOTE INTEREST RATE" means, with respect to the Class A-1 Notes, the Class A-1 Note Interest Rate, and with respect to the Class A-2 Notes, the Class A-2 Note Interest Rate.

"NOTE PAYING AGENT" means the Trustee or any other Person that meets the eligibility standards for the Trustee specified in SECTION 6.11 of the Indenture and is authorized by the Issuer to make the payments to and distributions from the Collection Account, including payment of principal of or interest on each class of Notes on behalf of the Issuer.

"NOTE PURCHASE AGREEMENT" means the Amended and Restated Note Purchase Agreement dated as of July 10, 2008 among the Note Purchaser, the Administrative Agent, the Issuer, the Purchaser and the Seller, as the same may be further amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"NOTE PURCHASER" means Citigroup Financial Products Inc. and its successors and permitted assigns.

"NOTE REGISTER" and "NOTE REGISTRAR" have the respective meanings specified in SECTION 2.4 of the Indenture.

"OFFICER'S CERTIFICATE" means a certificate signed by the Chief Executive Officer, the Chief Financial Officer or the Chief Investment Officer of the Seller, the Purchaser or the Issuer, as applicable.

"OPINION OF COUNSEL" means a written opinion of counsel who may be but need not be counsel to the Purchaser, the Seller or the Issuer, which counsel shall be reasonably acceptable to the Trustee and the Note Purchaser and which opinion shall be acceptable in form and substance to the Trustee and to the Note Purchaser.

"ORIGINALLY SCHEDULED FACILITY TERMINATION DATE" means June 15, 2009.

"OTHER TAXES" has the meaning set forth in SECTION 3.06 of the Note Purchase Agreement.

"OUTSTANDING" means, as of the date of determination, the Notes theretofore authenticated and delivered under the Indenture except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(ii) Notes the payment for which money in the necessary amount has been theretofore deposited with the Trustee or any Note Paying Agent in trust for the Holders of such Notes (provided, however, that if such Notes are to be prepaid, notice of such prepayment has been duly given pursuant to the Indenture, satisfactory to the Trustee); and

(iii) Notes in exchange for or in lieu of one or more other Notes which have been authenticated and delivered pursuant to the Indenture unless proof satisfactory to the Trustee is presented that any such Note is held by a bona fide purchaser.

"PERCENTAGE INTEREST" means (i) with respect to any Class A-1 Note, the percentage obtained by dividing (x) the Class A-1 Individual Invested Amount by (y) the Class A-1 Aggregate Invested Amount, and (ii) with respect to any Class A-2 Note, the percentage obtained by dividing (x) the Class A-2 Individual Invested Amount by (y) the Class A-2 Aggregate Invested Amount.

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

"PHYSICAL PROPERTY" has the meaning given to such term in the definition of "Delivery" above.

"PLAN" means any Person that is (i) an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to the provisions of Title I of ERISA, (ii) a "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code or (ii) any entity whose underlying assets include assets of a plan described in (i) or (ii) above by reason of such plan's investment in the entity.

"PLEDGED RESIDUAL INTEREST ASSETS" has the meaning set forth in the Granting Clause of the Indenture.

"PLEDGED RESIDUAL INTEREST CERTIFICATES" has the meaning set forth in the Granting Clause of the Indenture.

"PREPAYMENT DATE" has the meaning specified in SECTION 10.1 of the Indenture.

"PREPAYMENT FEE" has the meaning set forth in SECTION 3.02(B) of the Note Purchase Agreement.

"PRINCIPAL COVERAGE RATIO VIOLATION" means on any Determination Date, if the Class A Principal Coverage Ratio is less than the Principal Coverage Ratio set forth in SCHEDULE III to the Note Purchase Agreement with respect to the related Settlement Date.

"PROCEEDING" means any suit in equity, action at law or other judicial or administrative proceeding.

"PURCHASER" means Folio Funding II LLC.

"RECORD DATE" means, with respect to a Settlement Date, the close of business on the day immediately preceding such Settlement Date.

"RELEVANT REPORT" means any report, correspondence or other statement of information related to (a) any Collateral, (b) any secured financing facility under which CPS or any Affiliate thereof is a borrower, (c) any securitization of motor vehicle loans or retail installment sale contracts sponsored or contemplated by CPS, (d) any other actual or contemplated securities issuance by CPS or any Affiliate of CPS, (e) the origination policies, procedures or operations of CPS, (f) the servicing policies, procedures or operations of CPS, or (g) any circumstance, event, or development relating to the business, operations, properties, condition (financial or otherwise) or prospects of CPS or the Issuer that constitutes, or is reasonably likely to constitute, a Material Adverse Change or that has resulted in, or is reasonably likely to result in, a Material Adverse Effect.

"REQUIRED NOTEHOLDERS' PRINCIPAL DISTRIBUTABLE AMOUNT" means with respect to any Settlement Date subsequent to the Effective Date, the dollar amount set forth in SCHEDULE III to the Note Purchase Agreement with respect to such Settlement Date.

"REQUIREMENT OF LAW" means as to any Person, the certificate of incorporation and bylaws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or property is subject.

"RESIDUAL INTEREST ASSETS" means Residual Interest Certificates, all rights with respect thereto and all proceeds of the foregoing.

"RESIDUAL INTEREST CERTIFICATE" means (i) an instrument or certificate that evidences not less than 99.00% of the residual interest in a Trust and represents the right to receive amounts to be distributed or paid to the holders of the residual interests pursuant to the related Securitization Transaction Documents or (ii) a Funding Trust Certificate.

"RESPONSIBLE OFFICER" means, in the case of the Trustee, the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, vice-president, assistant vice-president or managing director, the secretary, and assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"RULE 144A INFORMATION" has the meaning set forth in SECTION 3.25 of the Indenture.

"SALE AND CONTRIBUTION AGREEMENT" means the Amended and Restated Sale and Contribution Agreement dated as of July 10, 2008, by and between Folio Funding II LLC, as Purchaser and Issuer, and CPS, as Seller, as the same may be further amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"SCHEDULED MATURITY DATE" means, with respect to the Class A-1 Notes, the Class A-1 Scheduled Maturity Date and with respect to the Class A-2 Notes, the Class A-2 Scheduled Maturity Date.

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

"SECURITIZATION ENTITY" has the meaning set forth in SECTION 5.02(i)(m) of the Note Purchase Agreement.

"SECURITIZATION ISSUER" has the meaning set forth in SECTION 5.02(i)(m) of the Note Purchase Agreement.

"SECURITIZATION TRANSACTION" means any securitization transaction that is sponsored by CPS or any Affiliate thereof.

"SECURITIZATION TRANSACTION DOCUMENTS" shall mean, collectively, all agreements, documents, instruments and certificates executed and delivered in connection with any Securitization Transaction.

"SELLER" means Consumer Portfolio Services, Inc., and its successors in interest to the extent permitted hereunder.

"SETTLEMENT DATE" means, the 18th day of each calendar month or, if such 18th day is not a Business Day, the next Business Day.

"SETTLEMENT DATE STATEMENT" has the meaning specified in SECTION 3.9 of the Indenture.

"SHADOW RATING FAILURE" means the failure of the Administrative Agent to receive by the 90th day subsequent to the Effective Date evidence satisfactory to it confirming that each class of securities that is subject to an insurance policy or a surety bond issued by a monoline insurer issued by each Securitization Issuer pursuant to the related Securitization Transaction Documents are rated by Moody's and S&P (without giving effect to any insurance policy or a surety bond issued by a monoline insurer).

"SPECIFIED AFFILIATES" means any Subsidiary of CPS, other than an Excluded Subsidiary.

"STANDARD & POOR'S" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or its successor.

"STANWICH LITIGATION" means In re Structured Settlement Litigation, Nos. BC 244111, 244271 and 243787 (Cal. Super. Ct. filed May 9, 2001).

"SUBSIDIARY" means, with respect to any Person, any corporation, partnership, association or other business entity of which a majority of the outstanding shares of capital stock or other equity interests having ordinary voting power for the election of directors or their equivalent is at the time owned by such Person directly or through one or more Subsidiaries.

"TAXES" has the meaning set forth in SECTION 3.06 of the Note Purchase Agreement.

"TERM" means, with respect to the Class A-1 Notes, the Class A-1 Term and with respect to the Class A-2 Notes, the Class A-2 Term.

"TERMINATION DATE" means the date on which the Trustee shall have received payment and performance of all Secured Obligations and disbursed such payments in accordance with the Basic Documents and any and all other amounts due and payable to the Issuer Secured Parties pursuant to the Basic Documents have been paid in full.

"TRANSFER DATE" has the meaning set forth in ARTICLE I of the Sale and Contribution Agreement.

"TRANSFER VALUE" has the meaning set forth in ARTICLE I of the Sale and Contribution Agreement.

"TRANSFERRED RESIDUAL INTEREST CERTIFICATE" has the meaning set forth in Article I of the Sale and Contribution Agreement.

"TRUST" means the statutory trust established pursuant to a Trust Agreement to accept and hold a discrete pool of motor vehicle installment contracts conveyed by CPS pursuant to the related Securitization Transaction Documents, the beneficial ownership of which is evidenced by the Residual Interest Certificate issued by such statutory trust.

"TRUST AGREEMENT" means an agreement between an Affiliate of CPS, as depositor, and another Person, as owner trustee, pursuant to which a Trust is established and governed.

"TRUST ESTATE" means all money, instruments, rights and other property that are subject or intended to be subject to the lien and security interest of the Indenture for the benefit of the Issuer Secured Parties, including all Collateral Granted to the Trustee for the benefit of the Issuer Secured Parties pursuant to the Granting Clause of the Indenture.

"TRUST RECEIPT" shall have the meaning set forth in SECTION 2.12 of the Indenture.

"TRUSTEE" means Wells Fargo Bank, National Association, a national banking association, not in its individual capacity but as trustee under the Indenture, or any successor trustee under the Indenture.

"TRUSTEE FEE" means (A) the fee payable to the Trustee on each Settlement Date in accordance with the Fee Schedule, and (B) any other amounts payable to the Trustee pursuant to the Fee Schedule.

"UCC" means the Uniform Commercial Code as in effect in the relevant jurisdiction, as amended from time to time.

"VALUATION DATE" shall have the meaning set forth in SECTION 3.07 of the Note Purchase Agreement.

"WARRANTS" means the warrants to purchase common stock issued by CPS to Citigroup Global Markets Inc., dated as of July 10, 2008, substantially in the form attached as EXHIBIT A to the Note Purchase Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

EXHIBIT 10.21

AMENDED AND RESTATED INDENTURE

DATED JULY 10, 2008

AMONG

FOLIO FUNDING II, LLC, AS ISSUER

CITIGROUP FINANCIAL PRODUCTS INC., AS ADMINISTRATIVE AGENT

AND

WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE

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AMENDED AND RESTATED INDENTURE dated July 10, 2008, among FOLIO FUNDING II, LLC, a Delaware limited liability company (the "ISSUER"), CITIGROUP FINANCIAL PRODUCTS INC., a Delaware corporation (the "ADMINISTRATIVE AGENT") and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee (the "TRUSTEE").

In connection with a securitization transaction, the Issuer, the Administrative Agent and the Trustee have entered into that certain Indenture, dated as of July 11, 2007 (the "ORIGINAL INDENTURE") pursuant to which the Issuer issued two classes of notes designated as Class A-1 Variable Funding Notes (the "INITIAL CLASS A-1 NOTES") and Class A-2 Term Notes (the "INITIAL CLASS A-2 NOTES").

Section 9.1 of the Original Indenture permits the Issuer, the Administrative Agent and the Trustee, when authorized by an Issuer Order, to amend the Original Indenture with the prior written consent of the Administrative Agent and the Majority Noteholders.

The Issuer, the Administrative Agent and the Trustee intend to change certain terms of the securitization transaction and amend and restate the Original Indenture in its entirety to, among other things, reflect (i) the amendment and restatement of the Initial Class A-1 Notes in order to redesignate them as Class A-1 Term Notes (the "CLASS A-1 NOTES") and the amendment and restatement of the Initial Class A-2 Term Notes (the "CLASS A-2 NOTES" and, together with the Class A-1 Notes, the "NOTES"), (ii) a prepayment of the Initial Class A-1 Notes in order to reduce the outstanding principal amount of the Initial Class A-1 Notes to $10,000,000, such prepayment to be comprised of Warrants and one or more cash payments and (iii) the continuation of the Trustee's original security interest in the Collateral (as defined below) for the benefit of the Issuer Secured Parties (as defined below).

The Administrative Agent and the Majority Noteholders desire to consent to the amendment and restatement of the Original Indenture in its entirety.

In consideration of the foregoing, other good and valuable consideration, and the mutual covenants and agreements contained herein, the parties hereto desire to amend and restate the Original Indenture and agree as follows:

As security for the payment and performance by the Issuer of its obligations under this Indenture and the Notes, the Issuer has assigned the Collateral (as defined below) as collateral to the Trustee for the benefit of the Issuer Secured Parties (as defined below).

GRANTING CLAUSE

As collateral security for the prompt payment in full when due of all the Issuer's obligations to the Administrative Agent and the Noteholders (collectively, the "ISSUER SECURED PARTIES") under this Indenture, the Notes and the other Basic Documents (collectively, the "ISSUER SECURED OBLIGATIONS"), the Issuer hereby Grants (as of the date of the Original Indenture) to the Trustee, for the benefit of the Issuer Secured Parties, a continuing security interest in favor of the Trustee, for the benefit of the Issuer Secured Parties, in all of the Issuer's right, title and interest in, to and under (in each case, whether now owned or existing, or hereafter acquired or arising) all accounts, payment intangibles, general intangibles, chattel paper, tangible chattel paper, electronic chattel paper, instruments, certificated securities, uncertificated

securities, financial assets, security entitlements, cash and currency, deposit accounts, letter-of-credit rights, investment property, and any and all other property of any type or nature owned by it, including without limitation: (1) each Residual Interest Certificate sold or contributed to, or otherwise acquired by, it pursuant to the Sale and Contribution Agreement (each, a "PLEDGED RESIDUAL INTEREST CERTIFICATE") and the right to receive all monies remitted, recovered or otherwise recovered in respect thereof after the Initial Funding Date, (2) all other Residual Interest Assets owned by it (collectively with the Pledged Residual Interest Certificates, the "PLEDGED RESIDUAL INTEREST ASSETS"), (3) the Collection Account and all investments, obligations and other property from time to time credited thereto, (4) the Issuer's rights in respect of the Sale and Contribution Agreement, and (5) all proceeds of, all accessions to and substitutions and replacements for, any of the foregoing, and all rents, profits and products of any thereof (all such property described in this Granting Clause collectively constituting the "COLLATERAL").

The Trustee hereby acknowledges such Grant, accepts the trusts under this Indenture in accordance with the provisions of this Indenture and agrees to perform its duties as required in this Indenture. The Trustee hereby further acknowledges that it has received the Residual Interest Certificates described in SCHEDULE I hereto (the "INITIAL PLEDGED RESIDUAL INTEREST CERTIFICATES"), each duly endorsed by the Seller to "Wells Fargo Bank, National Association, as Trustee for the benefit of the Administrative Agent and the holders of the Notes issued by Folio Funding II, LLC", and agrees to maintain continuous possession of the Pledged Residual Certificates in the State of Minnesota for the benefit of the Issuer Secured Parties, subject to the terms and conditions of this Indenture.

For the avoidance of doubt, the Issuer hereby confirms its Grant to the Trustee on behalf of the Issuer Secured Parties of a security interest in the Collateral pursuant to the Original Indenture and notwithstanding anything to the contrary contained in this Indenture, the security interest Granted by the Issuer hereunder is an extension and continuation of the security interest Granted under the Original Indenture.

ARTICLE I
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1 DEFINITIONS. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in ANNEX A to the Amended and Restated Note Purchase Agreement dated as of July 10, 2008 by and between Folio Funding II, LLC, Consumer Portfolio Services, Inc. and Citigroup Financial Products Inc. (the "NOTE PURCHASE AGREEMENT").

SECTION 1.2 [RESERVED]

SECTION 1.3 OTHER DEFINITIONAL PROVISIONS.

(a) All terms defined in this Indenture shall have the defined meanings when used in any instrument governed hereby and in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) Accounting terms used but not defined or partly defined in this Indenture, in any instrument governed hereby or in any certificate or other document made or delivered pursuant hereto, to the extent not defined, shall have the respective meanings given to them under GAAP or any such instrument, certificate or other document, as applicable. To the extent that the definitions

of accounting terms in this Indenture or in any such instrument, certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Indenture or in any such instrument, certificate or other document shall control.

(c) The words "HEREOF," "HEREIN," "HEREUNDER" and words of similar import when used in this Indenture shall refer to this Indenture as a whole and not to any particular provision of this Indenture.

(d) Section, Schedule and Exhibit references contained in this Indenture are references to Sections, Schedules and Exhibits in or to this Indenture unless otherwise specified; and the term "INCLUDING" shall mean "INCLUDING WITHOUT LIMITATION."

(e) The definitions contained in this Indenture are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

(f) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as the same may from time to time be amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments and instruments associated therewith; all references to a Person include its permitted successors and assigns.

(g) The singular form of the terms "NOTE" and "NOTEHOLDER" shall not preclude issuance of more than one Note or ownership of Notes by more than one Noteholder. The singular forms of such terms shall also mean the plural forms of such terms and the plural form of such terms shall also mean the singular form thereof, in each case as the context requires.

ARTICLE II
THE NOTES

SECTION 2.1 FORM.

(a) The Class A-1 Notes and the Class A-2 Notes, each together with the Trustee's certificate of authentication, shall be in substantially the form set forth in EXHIBITS A-1 AND A-2, respectively, with such 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, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of the Notes. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note. The Initial Class A-1 Notes and the Initial Class A-2 Notes were issued on the Initial Funding Date. On the terms and conditions set forth in the Note Purchase Agreement, the Sale and Contribution Agreement and this Agreement, and in reliance on the covenants, representations and agreements set forth herein and therein, the Initial Class A-1 Notes and the Initial Class A-2 Notes shall be amended and restated as of the Effective Date and the Issuer shall cause the Trustee to authenticate and deliver to the Note Purchaser the Notes on the Effective Date. The Class A-1 Notes shall be term in nature and shall be fully drawn in the Class A-1 Facility Amount on the Effective Date. The Class A-2 Notes shall be term in nature and were fully drawn in the Class A-2 Facility Amount on the Initial Funding Date. Any amounts prepaid under the Class A-1 Notes or the Class A-2 Notes may not be reborrowed.

(b) The Notes shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), all as determined by the officers executing the Notes, as evidenced by their execution of the Notes.

(c) The terms of the Class A-1 Notes and Class A-2 Notes set forth in EXHIBITS A-1 AND A-2, respectively, are part of the terms of this Indenture.

SECTION 2.2 EXECUTION, AUTHENTICATION AND DELIVERY.

(a) The Notes shall be executed on behalf of the Issuer by any of its Authorized Officers. The signature of any such Authorized Officer on the Notes may be manual or facsimile.

(b) Notes bearing the manual or facsimile signature of individuals who were at any time Authorized Officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Note.

(c) Upon receipt of (i) the Initial Class A-1 Notes and the Initial Class A-2 Notes for cancellation and (ii) an Issuer Order for authentication and delivery, the Trustee shall authenticate and deliver (i) Class A-1 Notes in an aggregate principal amount equal to the Class A-1 Facility Amount and (ii) Class A-2 Notes in an aggregate principal amount equal to the Class A-2 Facility Amount.

(d) Each Note shall be dated the date of its authentication.

(e) No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears attached to such Note a certificate of authentication substantially in the form provided for herein, executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate attached to any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated hereunder.

SECTION 2.3 [RESERVED]

SECTION 2.4 REGISTRATION; REGISTRATION OF TRANSFER AND EXCHANGE.

(a) The Issuer shall cause the Trustee to keep a register (the "NOTE REGISTER") in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of SECTION 2.5, the Trustee shall provide for the registration of the Notes, and the registration of transfers and exchanges of the Notes. The Trustee is, and shall be "NOTE REGISTRAR" for the purpose of registering the Notes and transfers of the Notes as herein provided. Upon any resignation or removal of any Note Registrar, the Issuer shall promptly appoint a successor.

(b) If a Person other than the Trustee is appointed by the Issuer as Note Registrar, such Person must be acceptable to the Administrative Agent and, in addition, the Issuer will give the Trustee, the Administrative Agent and the Noteholders prompt written notice of the appointment of such Note Registrar (once approved by the Administrative Agent) and of the location, and any change in the location, of the Note Register, and the Trustee and the Administrative Agent shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof. The Trustee shall have the right to conclusively rely upon a certificate executed on behalf of the Note Registrar by an Executive Officer thereof as to the name and address of each Holder of the Note and the Percentage Interest and number of each Note.

(c) Subject to SECTION 2.5 hereof, upon surrender for registration of transfer of a Note at the office or agency of the Issuer to be maintained as provided in SECTION 3.2, if the requirements of Section 8-401(a) of the UCC are met, the Trustee shall have the Issuer execute and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes in the minimum Percentage Interest of 1% representing in the aggregate the Percentage Interest on the face of the Note to be transferred.

(d) At the option of a Holder, a Note may be exchanged for another Note in any authorized Percentage Interest, of the same class and a like aggregate Percentage Interest, upon surrender of the Note to be exchanged at such office or agency. Whenever a Note is so surrendered for exchange, subject to SECTION 2.5 hereof, if the requirements of Section 8-401(a) of the UCC are met, the Issuer shall execute, and upon request by the Issuer the Trustee shall authenticate, and the Noteholder shall obtain from the Trustee, the Note which the Noteholder making the exchange is entitled to receive.

(e) Any Note issued upon any registration of transfer or exchange of a Note shall be the valid obligation of the Issuer, evidencing, in the aggregate, the same debt, and entitled to the same benefits under this Indenture, as the Note surrendered upon such registration of transfer or exchange.

(f) Every Note presented or surrendered for registration of transfer or exchange shall be (i) duly endorsed by, or accompanied by a written assignment in substantially the forms attached to EXHIBITS A-1 AND A-2 duly executed by, the Holder thereof or such Holder's attorney, duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Note Registrar which requirements include membership or participation in Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Note Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended, and (ii) accompanied by such other documents as the Trustee may require.

(g) No service charge shall be made to a Holder for any registration of transfer or exchange of a Note, but the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of a Note.

(h) The preceding provisions of this SECTION 2.4 notwithstanding, the Issuer shall not be required to make and the Note Registrar shall not register transfers or exchanges of a Note selected for redemption or of any Note for a period of two (2) Business Days preceding the due date for any payment with respect to such Note.

SECTION 2.5 RESTRICTIONS ON TRANSFER AND EXCHANGE.

(a) No transfer of a Note shall be made unless the transferor thereof has provided a representation letter substantially in the form of EXHIBIT B that such transfer is (i) to the Issuer or an Affiliate of the Issuer, or (ii) in compliance with Section 2.5(b) hereof, to a qualified institutional buyer (as

defined in Rule 144A under the Securities Act) in a transaction meeting the requirements of Rule 144A under the Securities Act, or (iii) in compliance with Section 2.5(c) hereof, (A) to an institutional investor that is an "ACCREDITED INVESTOR" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act, or (iv) in a transaction complying with or exempt from the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction; PROVIDED, that, in the case of CLAUSE (IV) the Trustee or the Issuer may require an Opinion of Counsel to the effect that such transfer may be effected without registration under the Securities Act, which Opinion of Counsel, if so required, shall be addressed to the Issuer and the Trustee and shall be secured at the expense of the Holder. Each prospective purchaser by its acquisition of a Note, acknowledges that such Note will contain a legend substantially to the effect set forth in SECTION 2.5(f) (unless the Issuer determines otherwise in accordance with applicable law).

(b) Any transfer or exchange of a Note to a proposed transferee shall be conducted in accordance with the provisions of Section 2.4, and shall be contingent upon receipt by the Note Registrar of (A) such Note properly endorsed for assignment or transfer, (B) written instruction from such transferring Holder directing the Note Registrar to cause the transfer to such transferees, in such Percentage Interests (not to exceed the Percentage Interest on the face of the Note to be transferred) as the transferring Holder shall specify in such instructions; and (C) such certificates or signatures as may be required under such Note or this Section 2.5, in each case, in form and substance satisfactory to the Note Registrar. The Note Registrar shall cause any such transfers and related cancellations or increases and related reductions, as applicable, to be properly recorded in its books in accordance with the requirements of Section 2.4.

(c) If a Note is sold to a "qualified institutional buyer" as defined in Rule 144A of the Securities Act purchasing for its own account or for the account of another "qualified institutional buyer," such Note shall be issued as a certificated Note in definitive, fully registered form without interest coupons with the applicable legends set forth in the form of the Note registered in the name of the beneficial owner or a nominee thereof, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided. Any transfer to an "qualified institutional buyer" is expressly conditioned upon the requirement that such transferee shall deliver a representation letter in the form of EXHIBIT C.

(d) If the Note is sold in the United States to U.S. Persons under Section 4(2) of the Securities Act to institutional "ACCREDITED INVESTORS" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act), it shall be issued in the form of a certificated Note in definitive, fully registered form without interest coupons with the applicable legends set forth in the form of the Note registered in the name of the beneficial owner or a nominee thereof, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided. Any transfer to an institutional "ACCREDITED INVESTOR" is expressly conditioned upon the requirement that such transferee shall deliver a representation letter in the form of EXHIBIT D.

(e) The Note Registrar shall not register any transfer or exchange of any Note to the extent that upon such transfer or exchange there would be more than ten (10) Noteholders of each class then reflected on the Note Register. For purposes of determining the number of Noteholders, a Person (beneficial owner) owning an interest in a partnership (including any entity treated as a partnership for federal income tax purposes), grantor trust, or S corporation (flow-through entity), that owns, directly or through other flow-through entities, an interest in the Notes, is treated as a Noteholder if:

(i) Substantially all of the value of the beneficial owner's interest in the flow-through entity is attributable to the flow-through entity's interest (direct or indirect) in the Notes; and

(ii) A principal purpose of the use of the tiered arrangement is to permit the satisfaction of the ten (10) Noteholder limitation.

(f) Unless the Issuer determines otherwise in accordance with applicable law, each Note shall have the following legend:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR "BLUE SKY" LAWS AND MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY TO (I) THE ISSUER (UPON REDEMPTION THEREOF OR OTHERWISE) OR AN AFFILIATE OF THE ISSUER (AS CERTIFIED BY THE ISSUER) OR (2) AN INSTITUTIONAL INVESTOR THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT THAT EXECUTES A CERTIFICATE, SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE, TO THE EFFECT THAT IT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACTING FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE INSTITUTIONAL ACCREDITED INVESTORS UNLESS THE HOLDER IS A BANK ACTING IN ITS FIDUCIARY CAPACITY) (3) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A TO A PERSON THAT EXECUTES A CERTIFICATE, SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE, TO THE EFFECT THAT SUCH PERSON IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A), ACTING FOR ITS OWN ACCOUNT, OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE SALE, PLEDGE, OR TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION: PROVIDED, THAT, IN THE CASE OF CLAUSE (4), THE TRUSTEE OR THE ISSUER MAY REQUIRE AN OPINION OF COUNSEL TO THE EFFECT THAT SUCH TRANSFER MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT, WHICH OPINION OF COUNSEL, IF SO REQUIRED, SHALL BE ADDRESSED TO THE ISSUER AND THE TRUSTEE AND SHALL BE SECURED AT THE EXPENSE OF THE HOLDER. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A FOR RESALES OF THIS NOTE.

THE NOTE REGISTRAR SHALL NOT REGISTER ANY TRANSFER OR EXCHANGE OF THIS NOTE TO THE EXTENT THAT UPON SUCH TRANSFER OR EXCHANGE THERE WOULD BE MORE THAN TEN (10) NOTEHOLDERS THEN REFLECTED ON THE NOTE REGISTER.

SECTION 2.6 MUTILATED, DESTROYED, LOST OR STOLEN NOTES.

(a) If (i) any mutilated Note is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Trustee such security or indemnity as may be required by it to hold the Issuer and the Trustee harmless, then, in the absence of notice to the Issuer, the Note Registrar or the Trustee that such Note has been acquired by a protected purchaser, and, provided that the requirements of Section 8-405 and 8-406 of the UCC are met, the Issuer shall execute, and upon request by the Issuer, the Trustee shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note; provided, however, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become, or within

seven days shall be, due and payable or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may direct the Trustee, in writing, to pay such destroyed, lost or stolen Note when so due or payable without surrender thereof. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the preceding sentence, a protected purchaser of the original Note in lieu of which such replacement Note was issued, presents for payment such original Note, the Issuer and the Trustee shall be entitled to recover such replacement Note (or such payment) from the Person to whom it was delivered or any assignee of such Person, except a protected purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Trustee in connection therewith.

(b) Upon the issuance of any replacement Note under this Section, the Issuer may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee) connected therewith.

(c) Every replacement Note issued pursuant to this Section in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

(d) The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of any mutilated, destroyed, lost or stolen Note.

SECTION 2.7 PERSONS DEEMED OWNER. Prior to due presentment for registration of transfer of any Note, the Trustee and any agent of the Trustee may treat the Person in whose name such Note is registered (as of the applicable Record Date) as the owner of such Note for the purpose of receiving payments of principal of and interest, if any, on such Note, for all other purposes whatsoever and whether or not such Note be overdue, and none of the Trustee or any agent of the Trustee shall be affected by notice to the contrary.

SECTION 2.8 PAYMENT OF PRINCIPAL AND INTEREST; DEFAULTED INTEREST.

(a) The Class A-1 Notes and the Class A-2 Notes shall accrue interest as provided in the forms of Class A-1 Notes and Class A-2 Notes set forth in EXHIBITS A-1 AND A-2, respectively, and such interest shall be due and payable on each Settlement Date as specified therein. Any installment of interest or principal, if any, payable on any Note which is punctually paid or duly provided for by the Issuer on the applicable Settlement Date shall be paid to the Person in whose name such Note (or one or more Predecessor Notes) is registered on the related Record Date either (i) by wire transfer in immediately available funds to such Person's account as it appears on the Note Register on such Record Date if (A) such Noteholder has provided to the Note Registrar appropriate written instructions at least five Business Days prior to such Settlement Date and such Holder's Note in the aggregate evidences a Percentage Interest of not less than 1% or (B) such Noteholder is the Seller, or an Affiliate thereof, or if not, (ii) by check mailed to such Noteholder at the address of such Noteholder appearing on the Note Register, except for the final installment of principal payable with respect to such Note on a Settlement Date or on the Facility Termination Date, which shall be payable as provided below.

(b) (i) The principal of the Class A-1 Notes shall be payable on each Settlement Date as set forth in Section 8.5 hereof and if a Collateral Deficiency exists, a prepayment of principal shall be made pursuant to the terms of Section 3.07 of the Note Purchase Agreement and (ii) the principal of the Class A-2 Notes shall be payable on each Settlement Date as set forth in Section 8.5 hereof after the Class A-1 Invested Amount has been reduced to zero and if a Collateral Deficiency exists, a prepayment of principal shall be made pursuant to the terms of Section 3.07 of the Note Purchase Agreement. The entire unpaid principal amount of the Notes shall become immediately due and payable, upon the declaration of acceleration of maturity by the Trustee pursuant to Section 5.2 hereof. In addition, the Aggregate Invested Amount and all accrued and unpaid interest on the Notes shall be due and payable in full on the Facility Termination Date and otherwise as provided in SECTION 3.1, SECTION 8.5 and if applicable, SECTION 5.7, and the forms of Notes attached hereto as EXHIBITS A-1 AND A-2. The principal amount outstanding under the Notes of any class at any time shall be equal to the related Invested Amount. All principal payments on the Notes of a class shall be made pro rata to the Noteholders of such class entitled thereto based on their respective Percentage Interests of the related Invested Amount. Upon written notice from the Issuer, the Trustee shall notify the Person in whose name a Note is registered at the close of business on the Record Date preceding the Settlement Date on which the Issuer expects that the final installment of principal of and interest on such Note will be paid. Such notice shall be transmitted by facsimile prior to such final Settlement Date and shall specify that such final installment will be payable only upon presentation and surrender of such Note and shall specify the place where such Note may be presented and surrendered for payment of such installment.

(c) If the Issuer defaults in a payment of interest on a class of Notes, the Issuer shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) at the applicable Note Interest Rate in any lawful manner. The Issuer shall pay such defaulted interest to the Noteholders on the immediately following Settlement Date. At least three (3) days before any such Settlement Date, the Issuer shall mail to the Noteholders and the Trustee a notice that states the Settlement Date and the amount of defaulted interest to be paid.

SECTION 2.9 CANCELLATION. Any Note surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Note previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and the Note so delivered shall be promptly canceled by the Trustee. No Note shall be authenticated in lieu of or in exchange for any Note canceled as provided in this Section, except as expressly permitted by this Indenture. A canceled Note may be held or disposed of by the Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided that such Issuer Order is timely and such Note has not been previously disposed of by the Trustee.

SECTION 2.10 NO RELEASE OF COLLATERAL. No Collateral shall be released from the lien of this Indenture until satisfaction and discharge of this Indenture in accordance with Article IV hereof.

SECTION 2.11 [Reserved].

SECTION 2.12 CUSTODY OF RESIDUAL INTEREST CERTIFICATES BY TRUSTEE. In connection with any Funding Date prior to the Effective Date, the Issuer delivered to the Trustee the Residual Interest Certificates set forth in SCHEDULE II thereto acquired by the Issuer pursuant to the Sale and Contribution Agreement. Each such Residual Interest Certificate was indorsed by the registered owner thereof to the Trustee or in blank, and included an assignment executed by the registered owner thereof in the form attached to such Residual Interest Certificate. The Trustee currently holds and will continue to hold each Residual Interest Certificate delivered to it as Trustee, custodian, agent and bailee in trust for the use and benefit of the Issuer Secured Parties until such Residual Interest Certificate is released from the Lien of this Indenture in accordance with the terms hereof. The Trustee executed and delivered to the Administrative Agent a receipt substantially in the form of EXHIBIT F hereto (a "TRUST RECEIPT") for such Residual Interest Certificate(s) received by the Trustee. By its delivery of a Trust Receipt, the Trustee is deemed to have acknowledged receipt of each Residual Interest Certificate that the Seller has represented was purchased by the Purchaser on the related Funding Date as indicated in the related Confirmation Statement, (b) reviewed each such Residual Interest Certificate and (c) determined that each such Residual Interest Certificate has been properly indorsed to it or in blank and contains an assignment executed by the registered owner thereof in the form attached to such Residual Interest Certificate.

ARTICLE III
COVENANTS

SECTION 3.1 PAYMENT OF PRINCIPAL AND INTEREST. The Issuer will duly and punctually pay the principal of and interest on the Notes in accordance with the terms of the Notes and this Indenture. Without limiting the foregoing, the Issuer will cause to be distributed on each Settlement Date all amounts deposited in the Collection Account to which the Noteholders are entitled under this Indenture. Amounts properly withheld under the Code by the Trustee from a payment to any Noteholder of interest and/or principal shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture.

SECTION 3.2 MAINTENANCE OF OFFICE OR AGENCY. The Issuer has maintained and will maintain in Minneapolis, Minnesota, an office or agency where Notes may be surrendered for registration of transfer or exchange, and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer has appointed the Trustee to serve as its agent for the foregoing purposes. The Issuer will give prompt written notice to the Trustee, the Administrative Agent and the Noteholders of the location, and of any change in the location, of any such office or agency. If at any time the Issuer shall fail to maintain any such office or agency or shall fail to furnish the Trustee with the address thereof, such surrenders, notices and demands may be made or served at the Corporate Trust Office, and the Issuer hereby appoints the Trustee as its agent to receive all such surrenders, notices and demands.

SECTION 3.3 MONEY FOR PAYMENTS TO BE HELD IN TRUST.

(a) Except as provided in SECTION 3.3(C) hereof, all payments of amounts due and payable with respect to the Notes that are to be made from amounts withdrawn from the Collection Account shall be made on behalf of the Issuer by the Trustee or by the Note Paying Agent.

(b) The Issuer shall cause each Note Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Note Paying Agent shall agree with the Trustee and the Administrative Agent (and if the Trustee acts as Note Paying Agent, it hereby so agrees), subject to the provisions of this Section, that such Note Paying Agent shall:

(i) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give the Trustee notice of any default by the Issuer (or any other obligor upon the Notes) of which it has actual knowledge in the making of any payment required to be made with respect to the Notes;

(iii) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Note Paying Agent;

(iv) immediately resign as a Note Paying Agent and forthwith pay to the Trustee all sums held by it in trust for the payment of the Notes if at any time it ceases to meet the standards required to be met by a Note Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on the Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

(c) The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Note Paying Agent to pay to the Trustee all sums held in trust by such Note Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which the sums were held by such Note Paying Agent; and upon such a payment by any Note Paying Agent to the Trustee, such Note Paying Agent shall be released from all further liability with respect to such money.

(d) Subject to applicable laws with respect to the escheat of funds, any money held by the Trustee or any Note Paying Agent in trust for the payment of any amount due with respect to the Notes and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on Issuer Request and shall be deposited by the Trustee in the Collection Account; and the Noteholders shall thereafter, as unsecured general creditors, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Trustee or such Note Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee or such Note Paying Agent, before being required to make any such repayment, shall at the expense of the Issuer cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Trustee shall also adopt and employ, at the expense of the Issuer, any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to the Holder whose Notes have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable but not claimed is determinable from the records of the Trustee or of any Note Paying Agent, at the last address of record for each such Holder).

SECTION 3.4 EXISTENCE. Except as otherwise permitted by the provisions of Section 3.11, the Issuer has kept and will keep in full effect its existence, rights and franchises as a limited liability company under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other state or of the United States of America, in which case the Issuer has kept and will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes, the Collateral and each other instrument or agreement included in the Trust Estate.

SECTION 3.5 PROTECTION OF TRUST ESTATE. The Issuer intends the security interest granted pursuant to this Indenture in favor of the Trustee for the benefit of the Issuer Secured Parties to be prior to all other liens in respect of the Trust Estate, and the Issuer has taken and shall take all actions necessary to obtain and maintain, in favor of the Trustee, for the benefit of the Issuer Secured Parties, a first lien on and a first priority, perfected security interest in the Trust Estate. The Issuer will from time to time prepare (or shall cause to be prepared), execute and deliver all such supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(i) Grant more effectively all or any portion of the Trust Estate;

(ii) maintain or preserve the lien and security interest (and the priority thereof) in favor of the Trustee for the benefit of the Issuer Secured Parties created by this Indenture or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(iv) enforce any of the Collateral;

(v) preserve and defend title to the Trust Estate and the rights of the Issuer Secured Parties in such Trust Estate against the claims of all persons and parties; and

(vi) pay all taxes or assessments levied or assessed upon the Trust Estate when due.

The Issuer hereby designates the Trustee its agent and attorney-in-fact to execute any financing statement, continuation statement or other instrument required by the Trustee pursuant to this Section.

The Issuer hereby authorizes the Administrative Agent, the Trustee and their respective agents to file such financing statements and continuation statements and take such other actions as the Administrative Agent or the Trustee may deem advisable in connection with the security interest granted by the Issuer under the Indenture to the extent permitted by applicable law. Any such financing statements and continuation statements shall be prepared by the Issuer.

SECTION 3.6 OPINIONS AS TO TRUST ESTATE.

(a) On the Initial Funding Date, the Effective Date, and on the date of execution of each indenture supplemental hereto, the Issuer shall furnish to the Trustee and the Administrative Agent an Opinion of Counsel either stating that, in the opinion of such counsel, such action has been taken with respect to the recording and filing of this Indenture, any indentures supplemental hereto, and any other requisite documents, and with respect to the execution and filing of any financing statements and continuation statements, as are necessary to perfect and make effective the first priority lien and security interest in favor of the Trustee, for the benefit of the Issuer Secured Parties, created by this Indenture and reciting the details of such action, or stating that, in the opinion of such counsel, no such action is necessary to make such lien and security interest effective.

(b) Within 90 days after the beginning of each calendar year, beginning with the first calendar year beginning more than three months after the Effective Date, the Issuer shall furnish to the Trustee and the Administrative Agent an Opinion of Counsel either stating that, in the opinion of such counsel, such action has been taken with respect to the recording, filing, re-recording and re-filing of this Indenture, any indentures supplemental hereto and any other requisite documents and with respect to the execution and filing of any financing statements and continuation statements as are necessary to maintain the lien and security interest in the Collateral created by this Indenture and reciting the details of such action or stating that in the opinion of such counsel no such action is necessary to maintain such lien and security interest. Such Opinion of Counsel shall also describe any action necessary (as of the date of such opinion) to be taken in the following year to maintain the lien and security interest of this Indenture in the Collateral.

SECTION 3.7 PERFORMANCE OF OBLIGATIONS.

(a) The Issuer has not taken, will not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's material covenants or obligations under any instrument or agreement included in the Trust Estate or that would result in the amendment, hypothecation, subordination, termination or discharge of or impair the validity or effectiveness of, any such instrument or agreement, except as ordered by any bankruptcy or other court or as expressly provided in this Indenture, the other Basic Documents or such other instrument or agreement.

(b) The Issuer may contract with other Persons acceptable to the Administrative Agent to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Trustee in an Officer's Certificate of the Issuer shall be deemed to be action taken by the Issuer.

(c) The Issuer has punctually performed and observed, and will punctually perform and observe all of its obligations and agreements contained in this Indenture, the other Basic Documents and in the instruments and agreements included in the Trust Estate, including but not limited to preparing (or causing to be prepared) and filing (or causing to be filed) all UCC financing statements and continuation statements required to be filed by the terms of this Indenture and the Sale and Contribution Agreement in accordance with and within the time periods provided for herein and therein. Except as otherwise expressly provided therein, the Issuer has not, and shall not waive, amend, modify, supplement or terminate any Basic Document or any provision thereof without the prior written consent of the Administrative Agent and the Majority Noteholders.

(d) If a responsible officer of the Issuer shall have written notice or actual knowledge of the occurrence of an Event of Default, the Issuer shall promptly notify the Trustee, the Administrative Agent and the Noteholders thereof in accordance with SECTION 11.4, and shall specify in such notice the action, if any, the Issuer is taking in respect of such default.

(e) The Issuer agrees that it shall not have any right to waive, and shall not waive, timely performance or observance by CPS or the Seller of their respective duties under the Basic Documents without the prior written consent of the Administrative Agent and the Majority Noteholders.

SECTION 3.8 NEGATIVE COVENANTS. So long as any Note is Outstanding or any amounts are due and owing to the Issuer Secured Parties, the Issuer shall not:

(i) except as expressly permitted by this Indenture or the Basic Documents, sell, transfer, exchange or otherwise dispose of any of the properties or assets of the Trust Estate, unless directed to do so by the Administrative Agent (acting at the written direction of the Majority Noteholders) or unless the Administrative Agent (acting at the written direction of the Majority Noteholders) has approved such disposition; or

(ii) claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code) or assert any claim against the Administrative Agent or any present or former Noteholder by reason of the payment of the taxes levied or assessed upon any part of the Trust Estate; or

(iii) (A) permit the validity or effectiveness of this Indenture to be impaired, or permit the lien in favor of the Trustee for the benefit of the Issuer Secured Parties created by this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations under this Indenture or any other Basic Document except as may be expressly permitted hereby or thereby, (B) permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance (other than the lien of this Indenture) to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein or the proceeds thereof, (C) permit the lien of this Indenture not to constitute a valid first priority security interest in the Trust Estate or (D) amend, modify or fail to comply with the provisions any of the Basic Documents or any ABS Issuance Agreement relating thereto without the prior written consent of the Administrative Agent and the Majority Noteholders; or

(iv) in its capacity as holder of a Residual Interest Certificate, consent to the taking of any action under any Securitization Transaction Document which requires the consent of the holder of a Residual Interest Certificate unless it has received the prior written consent of the Administrative Agent and the Majority Noteholders; or

(v) take any action that would result in the Issuer becoming taxable as a corporation for United States federal income tax purposes or for the purposes of any applicable State tax; or

(vi) engage in any business or activity other than as permitted by the LLC Agreement; or

(vii) incur or assume any indebtedness or guarantee any indebtedness of any Person, except for such indebtedness incurred pursuant to Section 3.14; or

(viii) dissolve or liquidate in whole or in part or merge or consolidate with any other Person, other than in compliance with Section 3.11; or

(ix) unless it has received the prior written consent of the Administrative Agent and the Majority Noteholders, the Issuer shall not, in its capacity as a holder of any Pledged Residual Interest Certificate or otherwise, take any action, fail to take any action, give any consent, permit any action, enter into or permit any amendment, waiver, supplement or other modification under or in respect of any Pledged Residual Interest Certificate or any other Collateral, or enter into or permit any amendment, waiver, supplement or other modification of any agreement, document or instrument governing the rights of any Pledged Residual Interest Certificate, that could reasonably be expected to, or would, (i) reduce in any manner the amount of, or accelerate or delay the timing of, distributions that are required to be made on the Pledged Residual Interest Certificates or any other Collateral, (ii) cause or permit amounts on deposit in the spread account for any Securitization Transaction pursuant to which a Pledged Residual Interest Certificate has been issued or proceeds or distributions in respect of any Pledged Residual Interest Certificate or any other Collateral to be available to fund deficiencies in any other spread account relating to another Securitization Transaction or (iii) otherwise have a Material Adverse Effect.

SECTION 3.9 REPORTING BY CPS. No later than 3:00 p.m. New York City time on each Determination Date, the Issuer shall cause CPS to deliver (by telex, facsimile, electronic transmission, first class mail, overnight courier or personal delivery) to the Issuer, the Administrative Agent and the Trustee a statement (the "SETTLEMENT DATE STATEMENT") in substantially the form attached hereto as Exhibit E(1). The Issuer shall deliver, or cause CPS to deliver, to the Administrative Agent and the Trustee a hard copy of any such Settlement Date Statement upon request of such Person.

SECTION 3.10 ANNUAL STATEMENT AS TO COMPLIANCE. The Issuer has delivered, and will deliver to the Trustee, the Administrative Agent and the Noteholders, on or before March 31 of each year, beginning March 31, 2008, an Officer's Certificate, dated as of December 31 of the preceding year, stating, as to the Authorized Officer signing such Officer's Certificate, that

(i) a review of the activities of the Issuer during the preceding year (or portion of such year from the Initial Funding Date through December 31, 2007) and of performance under this Indenture has been made under such Authorized Officer's supervision; and

(ii) to the best of such Authorized Officer's knowledge, based on such review, the Issuer has complied with all conditions and covenants under this Indenture throughout such year (or portion of such year from the Initial Funding Date through December 31, 2007) and no Event of Default has occurred and is continuing, or, if there has been a default in the compliance of any such condition or covenant, specifying each such default known to such Authorized Officer and the nature and status thereof.

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(1) Citi to provide current form of Exhibit E and to confirm whether any changes need to be made.

SECTION 3.11 ISSUER MAY CONSOLIDATE, ETC. ONLY WITH CONSENT. The Issuer shall not consolidate or merge with or into any other Person, or convey or transfer all or substantially all of its properties to any Person without the prior written consent of the Administrative Agent and the Majority Noteholders.

SECTION 3.12 SUCCESSOR OR TRANSFEREE. (A) Upon any consolidation or merger of the Issuer with the prior written consent of the Administrative Agent and the Majority Noteholders in accordance with Section 3.11, the Person formed by or surviving such consolidation or merger (if other than the Issuer) shall succeed to, and be substituted for, and may exercise every right and power of, and be obligated to meet the requirements of the Issuer under this Indenture and the other Basic Documents with the same effect as if such Person had been named as the Issuer herein.

(b) Upon a conveyance or transfer of all the assets and properties of the Issuer with the prior written consent of the Administrative Agent and the Majority Noteholders in accordance with SECTION 3.11, the Issuer will be released from every covenant and agreement of this Indenture to be observed or performed on the part of the Issuer with respect to the Notes immediately upon the delivery of written notice to the Trustee, the Administrative Agent and the Noteholders stating that the Issuer is to be so released.

SECTION 3.13 NO OTHER BUSINESS. The Issuer has not engaged, and shall not engage in, any business other than financing, purchasing, owning, selling and managing the Residual Interest Assets in the manner contemplated by this Indenture and the other Basic Documents and activities incidental thereto. After the Effective Date, the Issuer shall not purchase any additional Residual Interest Assets.

SECTION 3.14 NO BORROWING. The Issuer has not issued, incurred, assumed, guaranteed, or otherwise become liable, and shall not issue, incur, assume, guarantee or otherwise become liable, directly or indirectly, for any Indebtedness except for (i) the Notes, and (ii) any other Indebtedness permitted by or arising under the Basic Documents. The proceeds of the Notes have been used solely to fund the Issuer's purchase of the Residual Interest Assets and to pay the Issuer's organizational, transactional and start-up expenses.

SECTION 3.15 GUARANTEES, LOANS, ADVANCES AND OTHER LIABILITIES. Except as contemplated by the Basic Documents, the Issuer has not made, and shall not make, any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person.

SECTION 3.16 CAPITAL EXPENDITURES. The Issuer has not made, and shall not make, any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty).

SECTION 3.17 COMPLIANCE WITH LAWS. The Issuer has complied, and shall comply, with the requirements of all Requirements of Law.

SECTION 3.18 RESTRICTED PAYMENTS. The Issuer has not, directly or indirectly, and shall not, directly or indirectly, (i) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer, (ii) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (iii) set aside or otherwise segregate any amounts for any such purpose; provided, however, that the Issuer may make, or cause to be made, distributions to the Trustee and to any owner of a beneficial interest in the Issuer as permitted by, and to the extent funds are available for such purpose from distributions under this Indenture. The Issuer will not, directly or indirectly, make payments to or distributions from the Collection Account except in accordance with this Indenture and the Basic Documents.

SECTION 3.19 NOTICE OF EVENTS OF DEFAULT. Upon a responsible officer of the Issuer having notice or actual knowledge thereof, the Issuer agrees to give each of the Trustee, the Administrative Agent and the Noteholders prompt written notice of each Event of Default hereunder and each other Default on the part of the Issuer, the Purchaser or the Seller of its obligations under any Basic Document.

SECTION 3.20 FURTHER INSTRUMENTS AND ACTS. Upon request of the Trustee, the Administrative Agent or the Majority Noteholders, the Issuer will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 3.21 INCOME TAX CHARACTERIZATION.It is the intent of the Issuer and the Noteholders that, for Federal, state and local income and franchise tax purposes, the Notes will evidence indebtedness of the Issuer secured by the Collateral. Each Noteholder, by its acceptance of a Note, agrees to treat such Note for Federal, state and local income and franchise tax purposes as indebtedness of the Issuer.

SECTION 3.22 SEPARATE EXISTENCE OF THE ISSUER. During the term of the Indenture, the Issuer shall observe and comply with the applicable legal requirements for the recognition of the Issuer as a legal entity separate and apart from its Affiliates, including without limitation, those requirements set forth in Section 9(b) of the Issuer's Limited Liability Company Agreement.

SECTION 3.23 AMENDMENT OF THE ISSUER'S ORGANIZATIONAL DOCUMENTS. During the term of the Indenture, the Issuer shall not amend its Limited Liability Company Agreement except in accordance with the provisions thereof and with the prior written consent of the Administrative Agent.

SECTION 3.24 OTHER AGREEMENTS. The Issuer shall not enter into any agreement other than the Basic Documents without the prior written consent of the Administrative Agent and the Majority Noteholders. The Issuer shall not enter into any agreement that does not contain non-petition or limited recourse language acceptable to the Administrative Agent with respect to the Issuer.

SECTION 3.25 RULE 144A INFORMATION. At any time when the Issuer is not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, upon the request of a Noteholder, the Issuer shall promptly furnish to such Noteholder or to a prospective purchaser of a Note designated by such Noteholder, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act ("Rule 144A Information") in order to permit compliance by such Noteholder with Rule 144A in connection with the resale of a Note by such Noteholder; provided, however, that the Issuer shall not be required to furnish Rule 144A Information in connection with any request made on or after the date which is three years from the later of (i) the most recent renewal of the Term pursuant to Section 2.02 of the Note Purchase Agreement, (ii) the date such Note (or any predecessor Note) was acquired from the Issuer or (iii) the date such Note (or any predecessor Note) was last acquired from an "affiliate" of the Issuer within the meaning of Rule 144 under the Securities Act; and provided further that the Issuer shall not be required to furnish such information at any time to a prospective purchaser located outside of the United States who is not a "United States Person" within the meaning of Regulation S under the Securities Act if such Note may then be sold to such prospective purchaser in accordance with Rule 904 under the Securities Act (or any successor provision thereto).

SECTION 3.26 CHANGE OF CONTROL. CPS has been and shall at all times be the legal and beneficial owner of all of the issued and outstanding membership interests of the Issuer.

ARTICLE IV
SATISFACTION AND DISCHARGE

SECTION 4.1 SATISFACTION AND DISCHARGE OF INDENTURE. This Indenture shall cease to be of further effect with respect to the Notes except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Notes, (iii) rights of the Noteholders to receive payments of principal thereof and interest thereon and the rights of the Administrative Agent to receive payments in respect of amounts owed by the Issuer to the Administrative Agent under the Basic Documents, (iv) Sections 3.3, 3.4, 3.5, 3.6, 3.8, 3.11, 3.12, 3.18, 3.19, 3.20, 3.22, 3.23 and 11.17, (v) the rights, obligations and immunities of the Trustee hereunder (including the rights of the Trustee under Section 6.7 and the obligations of the Trustee under Section 4.2) and (vi) the rights of the Issuer Secured Parties as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them, and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Notes, when:

(a) the Notes theretofore authenticated and delivered (other than (i) Notes that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.6 and (ii) Notes for which payment of money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.3) have been delivered to the Trustee for cancellation;

(b) the Issuer has paid or caused to be paid all Issuer Secured Obligations; and

(c) the Issuer has delivered to the Trustee, the Administrative Agent and the Noteholders an Officer's Certificate meeting the applicable requirements of Section 11.1(a) and stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

SECTION 4.2 APPLICATION OF TRUST MONEY. All moneys deposited with the Trustee pursuant to Section 4.1 or Section 4.3 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through the Note Paying Agent, as the Trustee may determine, to the Noteholders and the Administrative Agent for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest (in the case of the Noteholders) and all sums due and payable by the Issuer under the Basic Documents (in the case of the Administrative Agent); but such moneys need not be segregated from other funds except to the extent required herein or in the other Basic Documents or required by law. Any funds remaining with the Trustee or on deposit in the Collection Account following the repayment in full of the Notes and the other Issuer Secured Obligations, the payment in full of all other amounts owed to the Noteholders and all amounts owed by the Issuer to the Administrative Agent and the Trustee under the Basic Documents, and the satisfaction and discharge of this Indenture, shall be remitted to the Issuer.

SECTION 4.3 REPAYMENT OF MONEYS HELD BY NOTE PAYING AGENT. In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all moneys then held by any Note Paying Agent other than the Trustee under the provisions of this Indenture with respect to such Notes shall, upon demand of the Issuer, be remitted to the Trustee to be held and applied according to Section 4.2 and thereupon such Note Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V
REMEDIES

SECTION 5.1 EVENTS OF DEFAULT. "Event of Default" wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) (i) Subject to Section 5.1(b), any payment by or on behalf of the Issuer, CPS or any Affiliate shall fail to be made to the Administrative Agent or the Noteholders when due of principal, including any Collateral Deficiency, or interest on the Notes in each case within one (1) Business Day after its due date; PROVIDED, that the failure to pay principal in connection with a Collateral Deficiency shall only be subject to the applicable grace period set forth in Section 3.07 of the Note Purchase Agreement and shall not be subject to any additional grace period under this Section 5.1(a), or (ii) any payment by or on behalf of the Issuer, CPS or any Affiliate of any other amount in addition to (i) above shall fail to be made to the Noteholders when due, within fifteen (15) days after its due date;

(b) as of the close of the Scheduled Maturity Date with respect to each Class of Notes, there are any amounts due and owing on the applicable Class of Notes;

(c) The Issuer, CPS or any Affiliate shall fail to perform or observe any term or covenant of this Indenture or any other Basic Document (other than the financial covenants set forth in Section 7.01(u) of the Note Purchase Agreement) to which it is a party, which failure materially and adversely affects the Administrative Agent or the Noteholders and is (i) curable by payment of money and continues unremedied for a period of five (5) Business Days from the earlier of knowledge of, or written notice to, the Issuer, CPS or any Affiliate, (ii) curable by means other than payment of money and continues unremedied for a period of fifteen (15) Business Days from the earlier of knowledge of, or written notice to, the Issuer, CPS or any Affiliate; or (iii) not curable;

(d) Any representation or warranty made or deemed to be made by the Issuer, CPS or any Affiliate or any of their respective officers, under or in connection with this Indenture or any other Basic Document, any Settlement Date Statement or other information or report delivered pursuant hereto or any other Basic Document shall prove to have been false or incorrect in any respect when made which failure materially and adversely affects the Administrative Agent or the Noteholders and is (i) curable by payment of money and continues unremedied for a period of five (5) Business Days from the earlier of knowledge of, or written notice to, the Issuer, CPS or any Affiliate, (ii) curable by means other than payment of money and continues unremedied for a period of fifteen (15) Business Days from the earlier of knowledge of, or written notice to, the Issuer, CPS or any Affiliate; or (iii) not curable;

(e) The Issuer, CPS or any Specified Affiliate shall fail to pay any money due under any other agreement, note, indenture or instrument evidencing, securing, guaranteeing or otherwise relating to indebtedness of the Issuer, CPS or such Specified Affiliate, which failure to pay constitutes an event of default under any such agreement, note, indenture or instrument or constitutes a default thereunder and such default (i) results in the acceleration of any debt owed by the Issuer, CPS or such Specified Affiliate, and (ii) continues unremedied for a period of three (3) Business Days after the cure period for the related indebtedness; or the Issuer, CPS or any Specified Affiliate shall otherwise fail to perform or observe any term, covenant, agreement or representation and warranty under any such other agreement, note, indenture or instrument, which failure constitutes an event of default under any such agreement, note, indenture or instrument or constitutes a default thereunder and such default shall result in the acceleration of such indebtedness; or any other event under any such agreement or instrument shall occur or condition shall exist if the effect of such event or condition is to accelerate the maturity of such indebtedness; provided that, if such indebtedness is solely indebtedness of CPS (and not in whole or in part indebtedness of the Issuer or any Specified Affiliate), such accelerated indebtedness must be in an aggregate amount of at least $1,000,000 in order for an event described in this clause (e) to constitute an Event of Default;

(f) (i)(a) The Collateral or any other material assets of the Issuer, CPS or any Specified Affiliate are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee in an amount less than $100,000, for the benefit of the Issuer, CPS or any Specified Affiliate and the same is not paid, dissolved or dismissed within sixty (60) days thereafter or (b) after service on CPS of notice thereof, an application is made by any Person other than the Issuer, CPS or any Specified Affiliate for the appointment of a receiver, trustee, or custodian for the Collateral or a material portion of the assets of the Issuer, CPS or any Specified Affiliate in an amount less than $100,000 and the same is not dismissed within sixty (60) days after the application thereof; (ii) (a) the Collateral or any other material assets of the Issuer, CPS or any Specified Affiliate are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee in an amount greater than $100,000 for the benefit of the Issuer, CPS or any Specified Affiliate and the same is not paid, dissolved or

dismissed within thirty (30) days thereafter or (b) after service on CPS of notice thereof, an application is made by any Person other than the Issuer, CPS or any Specified Affiliate for the appointment of a receiver, trustee, or custodian for the Collateral or a material portion of the assets of the Issuer, CPS or any Specified Affiliate in an amount greater than $100,000 and the same is not dismissed within thirty (30) days after the application thereof; or (iii) the Issuer, CPS or any Specified Affiliate shall have concealed, removed or permitted to be concealed or removed any portion of its property with intent to hinder, delay or defraud its creditors or made or suffered a transfer of any of its property which is fraudulent under any bankruptcy, fraudulent conveyance or other similar law;

(g) An application is made by the Issuer, CPS or any Specified Affiliate for the appointment of a receiver, trustee or custodian for the Collateral or any other material assets of the Issuer, CPS or any Specified Affiliate; a petition under any section or chapter of the Bankruptcy Code or federal or state law or regulation shall be filed by the Issuer, CPS or any Specified Affiliate; the Issuer, CPS or any Specified Affiliate shall make an assignment for the benefit of its creditors; any case or proceeding shall be filed by the Issuer, CPS or any Specified Affiliate for its dissolution, liquidation, or termination; or the Issuer or CPS ceases to conduct its business;

(h) the Issuer, CPS or any Specified Affiliate is enjoined, restrained or prevented by court order from conducting all or any material part of its business affairs, or a petition under any section or chapter of the Bankruptcy Code or any similar federal or state law or regulation is filed against the Issuer, CPS or any Specified Affiliate or any case or proceeding is filed against the Issuer, CPS or any Specified Affiliate for its dissolution or liquidation, and such injunction, restraint, petition, case or proceeding is not dismissed within sixty (60) days after the entry of filing thereof;

(i) the Issuer, CPS or any Specified Affiliate admits in writing to its inability to pay its debts as they mature;

(j) the Trustee, for the benefit of the Issuer Secured Parties, shall for any reason cease to have a first priority perfected security interest in any of the Pledged Residual Interest Certificates or in any portion of the Collateral, free and clear of all Liens;

(k) the Issuer becoming taxable as an association (or publicly traded partnership) taxable as a corporation for federal or state income tax purposes;

(l) the Administrative Agent, in its reasonable, good faith judgment, has cause to believe that there has been a Material Adverse Effect or a Material Adverse Change;

(m) (i) the Issuer, CPS or any Affiliate shall have at any time during the Term been in default or termination under any servicing agreements which resulted in termination of servicing with respect to more than one (1) Eligible Committed Securitization, or (ii) the Issuer, CPS or any Affiliate shall have at any time during the Term resigned as servicer on any outstanding Securitization

Transaction in its total managed portfolio, other than any Securitization Transaction sponsored by SeaWest Financial Corporation or its Affiliates;

(n) without the prior written consent of the Administrative Agent and the Majority Noteholders, CPS, the Issuer or any other Affiliate of CPS takes any action, fails to take any action, gives any consent, permits any action, enters into or permits any amendment, waiver, supplement or other modification under or in respect of any Pledged Residual Interest Certificate or any other Collateral, or enters into or permits any amendment, waiver, supplement or other modification of any agreement, document or instrument governing the rights of any Pledged Residual Interest Certificate, that could reasonably be expected to, or would, (i) reduce in any manner the amount of, or accelerate or delay the timing of, distributions that are required to be made on the Pledged Residual Interest Certificates or any other Collateral, (ii) cause or permit amounts on deposit in the spread account for any Securitization Transaction pursuant to which a Pledged Residual Interest Certificate has been issued or proceeds or distributions in respect of any Pledged Residual Interest Certificate or any other Collateral to be available to fund deficiencies in any other spread account relating to another Securitization Transaction, (iii) otherwise materially adversely affect the Collateral, the Administrative Agent, the Note Purchaser or the Noteholders or (iv) otherwise have a Material Adverse Effect;

(o) The Issuer, CPS or any Affiliate becomes an "investment company" or company "controlled" by an investment company within the meaning of the Investment Company Act of 1940, as amended;

(p) Any Change of Control shall occur with respect to the Issuer, CPS or any Specified Affiliate unless the Administrative Agent and the Majority Noteholders shall have expressly consented to such Change of Control in writing or unless the Issuer Secured Obligations shall have been indefeasibly repaid in full and the Basic Documents have been terminated;

(q) A final, nonappealable judgment by any competent court in the United States of America for the payment of money in an amount in excess of $1,000,000 shall be rendered against the Issuer, CPS or any Specified Affiliate and the same remains undischarged and unstayed for a period of thirty (30) days after the entry thereof;

(r) The Issuer, CPS or any Affiliate shall pay an amount in excess of the applicable Litigation Threshold in connection with the settlement of any action filed in any competent court in the United States of America;

(s) Any Basic Document shall be terminated or cease to be in full force and effect, or the enforceability thereof shall be (A) reasonably contested by the Administrative Agent and the Majority Noteholders or its respective assignees, (B) contested by any other party thereto, or (C) contested by an indenture trustee on behalf of unsecured noteholders of CPS;

(t) The Issuer, CPS or any Affiliate shall fail to pay to Administrative Agent, within 30 days following the presentment of invoices, any and all fees, costs or expenses which the Administrative Agent pays to a bank or other similar institution arising out of or in connection with the return of payments from Issuer, CPS or any Affiliate deposited for collection by Administrative Agent; or

(u) CPS shall fail to comply with the financial covenants set forth in Section 7.01(u) of the Note Purchase Agreement.

SECTION 5.2 RIGHTS UPON EVENT OF DEFAULT.

(a) If an Event of Default shall have occurred and be continuing, the Trustee may, and at the direction of the Administrative Agent (acting upon the written direction of the Majority Noteholders, which direction shall be deemed given automatically upon the occurrence of an Event of Default specified in paragraph (g), (h) or (i) of Section 5.1) shall declare immediately due and payable all principal, interest (which shall be calculated for these purposes using the Default Applicable Margin) and other Issuer Secured Obligations payable hereunder and under the Notes by the Issuer that would otherwise be due after the date specified in the notice (or the date such notice is deemed given), whereupon all those amounts shall become immediately due and payable, all without further diligence, presentment, demand of payment, protest or notice of any kind, all of which are expressly waived by the Issuer. In addition, if an Event of Default shall have occurred and be continuing, the Trustee may, and at the direction of the Administrative Agent (acting upon the written direction of the Majority Noteholders) shall, exercise any of the remedies specified in SECTION 5.4.

(b) At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article V provided, the Administrative Agent (acting upon the written direction of the Majority Noteholders) may, by written notice to the Issuer and the Trustee, rescind and annul such declaration and its consequences if the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(i) all payments of principal of and interest (calculated for these purposes using the Default Applicable Margin) on the Notes, all amounts due the Administrative Agent and the Noteholders from the Issuer under the Basic Documents, and all other amounts that would then be due from the Issuer hereunder, upon the Notes or under the Basic Documents if the Event of Default giving rise to such acceleration had not occurred; and

(ii) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel; and

(iii) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 5.14.

No such rescission shall affect any subsequent default or impair any right consequent thereto.

SECTION 5.3 COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

(a) The Issuer covenants that if (i) default is made in the payment of any interest on, or principal of, the Notes, or any amount due from the Issuer to the Administrative Agent or any Noteholder under the Basic Documents, when the same becomes due and payable, the Issuer will, upon demand of the Trustee, pay to it, for the benefit of the Noteholders and the Administrative Agent, as applicable, the whole amount then due and payable on the Notes for principal and interest, with interest upon the overdue principal, and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of interest, at the Note Interest Rate, all amounts due and owing by the Issuer under the Basic Documents and, in each case, in addition thereto 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 and its agents and counsel.

(b) If an Event of Default occurs and is continuing, the Trustee may in its discretion subject to the prior written consent of the Administrative Agent (acting upon the written direction of the Majority Noteholders) and shall, at the direction of the Administrative Agent (acting upon the written direction of the Majority Noteholders), proceed to protect and enforce its rights and the rights of the Administrative Agent and the Noteholders by such appropriate Proceedings as the Trustee, the Administrative Agent (acting upon the written direction of the Majority Noteholders) shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture, any other Basic Document or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture, any other Basic Document or by law.

(c) [Reserved].

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Notes or any Person having or claiming an ownership interest in the Trust Estate, proceedings under Title 11 of the United States Code or any other applicable Federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Notes and the whole amount then due to the Administrative Agent or any Noteholder by the Issuer under the Basic Documents and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence, bad faith or willful misconduct) and of the Administrative Agent and the Noteholders allowed in such proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders and the Administrative Agent in any election of a trustee, a standby trustee or person performing similar functions in any such proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders, the Administrative Agent and of the Trustee on their behalf; and

(iv) 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, the Administrative Agent or the Noteholders allowed in any judicial proceedings relative to the Issuer, its creditors and its property;

and any trustee, receiver, liquidator, custodian or other similar official in any such proceeding is hereby authorized by the Noteholders and the Administrative Agent to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Noteholders or the Administrative Agent, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of the Noteholders or the Administrative Agent any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of the Noteholders or the Administrative Agent or to authorize the Trustee to vote in respect of the claim of the Noteholders or the Administrative Agent in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

(f) All rights of action and of asserting claims under this Indenture, any other Basic Document or under the Notes, may be enforced by the Trustee without the possession of the Notes or the production thereof in any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the benefit of the Noteholders and the Administrative Agent.

(g) In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture or any other Basic Document), the Trustee shall be held to represent the Administrative Agent and the Noteholders, and it shall not be necessary to make the Administrative Agent or the Noteholders a party to any such proceedings. Notwithstanding the foregoing, nothing contained in this Indenture shall be deemed to prohibit the Administrative Agent from representing itself in any such action or proceeding.

SECTION 5.4 REMEDIES. If an Event of Default shall have occurred and be continuing, the Administrative Agent (acting upon the written direction of the Majority Noteholders) may do one or more of the following (subject to Section 5.5):

(a) institute or direct the Trustee to institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable by the Issuer under any Basic Document, on the Notes or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon the Notes moneys adjudged due;

(b) institute or direct the Trustee to institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Trust Estate;

(c) exercise or direct the Trustee to exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Trustee and the Issuer Secured Parties; and

(d) sell or direct the Trustee to sell the Trust Estate or any portion thereof or rights or interest therein, at one or more public or private sales (including, without limitation, the sale of the Collateral in connection with a securitization thereof) called and conducted in any manner permitted by law.

SECTION 5.5 OPTIONAL PRESERVATION OF THE TRUST ESTATE. If the Notes have been declared to be due and payable under Section 5.2 following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Trustee may, but need not, elect to maintain possession of the Trust Estate with the prior written consent of the Administrative Agent (acting upon the written direction of the Majority Noteholders). It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Trustee shall take such desire into account when determining whether or not to maintain possession of the Trust Estate. In determining whether to maintain possession of the Trust Estate, the Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Trust Estate for such purpose.

SECTION 5.6 DEFICIENCY. The Issuer shall remain liable for any deficiency if the Proceeds of any sale or other disposition of the Collateral are insufficient to pay in full all Issuer Secured Obligations, including, without limitation, the reasonable fees and disbursements of any attorneys employed by the Administrative Agent, the Trustee or the Noteholders to collect such deficiency.

SECTION 5.7 PRIORITIES.

(a) Following the occurrence of an Event of Default that has resulted in an acceleration of the Notes pursuant to Section 5.2 hereof, if the Trustee collects any money or property pursuant to Article V of this Indenture, it shall pay out such money or property in the following order of priority, subject to Section 8.3(a) hereof:

(i) FIRST: to the Trustee for amounts due under Section 6.7;

(ii) SECOND: to the Administrative Agent for amounts due under the Basic Documents;

(iii) THIRD: to the Note Purchaser, any amounts then due and owing to the Note Purchaser under the Basic Documents;

(iv) FOURTH: to the Class A-1 Noteholders and the Class A-2 Noteholders on a PARI PASSU basis for amounts due and unpaid on the Class A-1 Notes and the Class A-2 Notes, respectively, in respect of interest (including any premium), according to the amounts due and payable on the Class A-1 Notes and the Class A-2 Notes, as applicable, in respect of interest (including any premium);

(v) FIFTH: to the Class A-1 Noteholders for amounts due and unpaid on the Class A-1 Notes in respect of principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the Class A-1 Notes in respect of principal (inclusive of any Prepayment Fees), until the outstanding principal amount of the Class A-1 Notes is reduced to zero;

(vi) SIXTH: to the Class A-2 Noteholders for amounts due and unpaid on the Class A-2 Notes in respect of principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the Class A-2 Notes in respect of principal (inclusive of any Prepayment Fees), until the outstanding principal amount of the Class A-2 Notes is reduced to zero;

(vii) SEVENTH: any excess amounts remaining after making the payments described in clauses FIRST through SIXTH above, to be applied pursuant to SECTION 8.5 of this Indenture to the extent that any amounts payable thereunder have not been previously paid pursuant to clauses FIRST through SIXTH above.

(b) The Trustee may fix a record date and Settlement Date for any payment to the Administrative Agent and the Noteholders pursuant to this Section. At least 15 days before such record date the Trustee shall mail to the Issuer, the Administrative Agent and each Noteholder a notice that states such record date, the Settlement Date and the amount to be paid.

SECTION 5.8 LIMITATION OF SUITS. Unless the Notes shall be held by the Administrative Agent or an Affiliate thereof, no Holder of a Note shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) the Holder has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Majority Noteholders have made a written request to the Trustee to institute such proceeding in respect of such Event of Default in its own name as Trustee hereunder;

(c) the Majority Noteholders have offered to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute such proceedings;

it being understood and intended that no Holder of a Note shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder of the Notes or to obtain or to seek to obtain priority or preference over any other Holder or to enforce any right under this Indenture, except in the manner herein provided and it being understood that if a Note is held by the Administrative Agent or an Affiliate thereof, the Holder may directly institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy.

SECTION 5.9 UNCONDITIONAL RIGHTS OF THE NOTEHOLDERS TO RECEIVE PRINCIPAL AND INTEREST. Notwithstanding any other provisions of this Indenture, (i) each Noteholder shall have the right, which is absolute and unconditional, to receive payments of principal of and interest, if any, on such Note on or after the respective due dates thereof expressed in such Note or in this Indenture, (ii) the Administrative Agent shall have the right, which is absolute and unconditional, to receive payment of all amounts owed to it by the Issuer under the Basic Documents when the same shall become due, and, in each case, to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of the Administrative Agent or the Majority Noteholders, as applicable.

SECTION 5.10 RESTORATION OF RIGHTS AND REMEDIES. If the Administrative Agent or a Noteholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee, the Administrative Agent or to such Noteholder, then and in every such case the Issuer, the Trustee, the Administrative Agent and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee, the Administrative Agent and the Noteholder shall continue as though no such proceeding had been instituted.

SECTION 5.11 RIGHTS AND REMEDIES CUMULATIVE. No right or remedy herein conferred upon or reserved to the Administrative Agent or the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.12 DELAY OR OMISSION NOT A WAIVER. No delay or omission of the Administrative Agent or the Noteholders to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Trustee, the Administrative Agent or the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, the Administrative Agent or the Noteholders, as the case may be.

SECTION 5.13 [RESERVED].

SECTION 5.14 WAIVER OF PAST DEFAULTS.

(a) Prior to the declaration of the acceleration of the maturity of the Notes as provided in SECTION 5.2, the Administrative Agent (acting upon the direction of the Majority Noteholders) may waive any past Default or Event of Default and its consequences except a Default or Event of Default (i) in payment of principal of or interest on the Notes or (ii) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Administrative Agent and all of the Noteholders. In the case of any such waiver, the Issuer, the Trustee, the Administrative Agent and the Noteholders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

(b) Upon any such waiver, such Default or Event of Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, 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 thereto.

SECTION 5.15 UNDERTAKING FOR COSTS. Each of the Issuer, the Trustee and the Administrative Agent agrees, and each Noteholder by its acceptance of a Note shall be deemed to have agreed, that any court may in its discretion require, 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, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to (a) any suit instituted by the Trustee, (b) any suit instituted by the Administrative Agent or Noteholders holding in the aggregate more than 10% of Percentage Interests of any class of Notes or (c) any suit instituted by the Noteholders for the enforcement of the payment of principal of or interest on the Notes on or after the respective due dates expressed in the Notes and in this Indenture.

SECTION 5.16 WAIVER OF STAY OR EXTENSION LAWS. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power and any right of the Issuer to take such action shall be suspended.

SECTION 5.17 SALE OF TRUST ESTATE.

(a) To the extent permitted by applicable law, the Trustee shall not in any private sale sell to a third party the Trust Estate, or any portion thereof unless,

(i) the Administrative Agent (acting at the direction of the Majority Noteholders) consents to or direct the Trustee in writing to make such sale; or

(ii) the proceeds of such sale would be not less than the sum of (x) all amounts due on the entire unpaid principal amount of the Notes and interest due or to become due thereon in accordance with Section 5.7 hereof on the Settlement Date next succeeding the date of such sale and (y) all amounts due the Administrative Agent, the Trustee and the Noteholders from the Issuer under the Basic Documents.

(b) For any public sale of the Trust Estate, the Trustee shall have provided the Administrative Agent and the Noteholders with notice of such sale at least two weeks in advance of such sale which notice shall specify the date, time and location of such sale.

(c) In connection with a sale of all or any portion of the Trust Estate:

(i) the Administrative Agent or the Noteholders may bid for and purchase the property offered for sale, and may hold, retain, possess and dispose of such property, without further accountability, and (x) the Noteholders may, in paying the purchase money therefor, deliver in lieu of cash any Outstanding Note or claims for interest thereon for credit in the amount that shall, upon distribution of the net proceeds of such sale, be payable thereon, and the Note so delivered shall be cancelled and extinguished except that, in case the amounts so payable thereon shall be less than the amount due thereon, such Notes shall be returned to the Noteholders after being appropriately stamped to show such partial payment and (y) the Administrative Agent may, in paying the purchase money therefor, set-off against any amount owed to it by the Issuer under the Basic Documents;

(ii) the Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Trust Estate in connection with a sale thereof; and

(iii) the Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Issuer to transfer and convey its interest in any portion of the Trust Estate in connection with a sale thereof, and to take all action necessary to effect such sale.

(d) The method, manner, time, place and terms of any sale of all or any portion of the Trust Estate shall be commercially reasonable.

ARTICLE VI
THE TRUSTEE

SECTION 6.1 DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and the other Basic Documents 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 Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and each of the other Basic Documents to which it is a party and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; however, the Trustee shall examine the certificates and opinions to determine whether or not they conform on their face to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability 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) of this Section; and

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

(d) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuer.

(e) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law or the terms of this Indenture.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability 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 to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

(h) The Trustee shall permit any representative of the Administrative Agent or the Noteholders, during the Trustee's normal business hours, to examine all books of account, records, reports and other papers of the Trustee relating to the Notes and the transactions contemplated by the Basic Documents, to make copies and extracts therefrom and to discuss the Trustee's affairs and actions, as such affairs and actions relate to the Trustee's duties with respect to the Notes and the Administrative Agent, with the Trustee's officers and employees responsible for carrying out the Trustee's duties with respect to the Notes and the Administrative Agent.

(i) The Trustee shall, and hereby agrees that it will, perform all of the obligations and duties required of it under the other Basic Documents.

SECTION 6.2 RIGHTS OF TRUSTEE. Subject to Sections 6.1 and this Section 6.2, the Trustee shall be protected and shall incur no liability to the Issuer, the Administrative Agent or the Noteholders in relying upon the accuracy, acting in reliance upon the contents, and assuming the genuineness of any notice, demand, certificate, signature, instrument or other document reasonably believed by the Trustee to be genuine and to have been duly executed by the appropriate signatory, and, except to the extent the Trustee has actual knowledge to the contrary or as required pursuant to Section 6.1 the Trustee shall not be required to make any independent investigation with respect thereto.

(a) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate. Subject to SECTION 6.1(c), the Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Officer's Certificate.

(b) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent, attorney, custodian or nominee appointed with due care by it hereunder.

(c) 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 its rights or powers; provided, however, that the Trustee's conduct does not constitute willful misconduct, negligence or bad faith.

(d) The Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(e) The Trustee shall be under no obligation to institute, conduct or defend any litigation under this Indenture or in relation to this Indenture, at the request, order or direction of the Administrative Agent or the Noteholders, pursuant to the provisions of this Indenture, unless the Administrative Agent and/or the Noteholders, as applicable, shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby; provided, however, that the Trustee shall, upon the occurrence of an Event of Default (that has not been cured), exercise the rights and powers vested in it by this Indenture in accordance with Section 6.1.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other paper or document, unless requested in writing to do so by the Administrative Agent or the Majority Noteholders; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such cost, expense or liability as a condition to so proceeding; the reasonable expense of every such examination shall be paid by the Person making such request, or, if paid by the Trustee, shall be reimbursed by the Person making such request upon demand.

SECTION 6.3 INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee in its individual or any other capacity may become the owner or pledgee of a Note and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not the Trustee. Any Note Paying Agent, Note Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Section 6.11.

SECTION 6.4 TRUSTEE'S DISCLAIMER. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Trust Estate, the Collateral or the Notes, it shall not be accountable for the Issuer's use of the proceeds from the Notes, and it shall not be responsible for any statement of the Issuer in the Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication.

SECTION 6.5 NOTICE OF DEFAULTS. If an Event of Default occurs and is continuing and if it is either known by, or written notice of the existence thereof has been delivered to, a Responsible Officer of the Trustee, the Trustee shall mail to the Administrative Agent and each Noteholder a notice of the Event of Default within three (3) Business Days after such knowledge or notice occurs.

SECTION 6.6 REPORTS BY TRUSTEE TO THE NOTEHOLDERS. The Trustee shall on behalf of the Issuer deliver to the Noteholders and the Administrative Agent such information in its possession and which is requested by the Issuer as may be reasonably required to enable the Noteholders and the Administrative Agent to prepare their respective Federal and State income tax returns.

SECTION 6.7 COMPENSATION AND INDEMNITY.

(a) The Trustee shall be entitled to compensation for its services hereunder, which shall be payable pursuant to SECTION 8.5 hereof. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee, pursuant and subject to SECTION 8.5 hereof, for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Issuer shall or shall cause CPS to indemnify the Trustee against any and all loss, liability or expense incurred by the Trustee without willful misfeasance, negligence or bad faith on its part arising out of or in connection with the acceptance or the administration of this trust and the performance of its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection therewith. The Trustee shall notify the Issuer and CPS promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuer and CPS shall not relieve the Issuer of its obligations hereunder. The Trustee may have separate counsel and the Issuer shall or shall cause CPS to pay the reasonable fees and expenses of such counsel. Neither the Issuer nor CPS need reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misconduct, negligence or bad faith.

(b) The Issuer's payment obligations to the Trustee pursuant to this Section shall survive the discharge of this Indenture. When the Trustee incurs expenses after the occurrence of a Default specified in SECTION 5.1(f), (g) or (h) with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable Federal or State bankruptcy, insolvency or similar law. Notwithstanding anything else set forth in this Indenture or the other Basic Documents, the recourse of the Trustee hereunder and under the other Basic Documents specifically shall not be recourse to the assets of the Noteholders or the Administrative Agent.

SECTION 6.8 REPLACEMENT OF TRUSTEE.

(a) The Issuer may, with the consent of the Administrative Agent and the Majority Noteholders, and at the request of the Administrative Agent (acting upon the written direction of the Majority Noteholders) shall, remove the Trustee if:

(i) the Trustee fails to comply with SECTION 6.11 or the Trustee fails to perform any other material covenant or agreement of the Trustee set forth in the Basic Documents to which the Trustee is a party and such failure continues for 45 days after written notice of such failure from the Administrative Agent or a Noteholder;

(ii) an Insolvency Event with respect to the Trustee occurs; or

(iii) the Trustee otherwise becomes incapable of acting.

(b) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuer shall promptly appoint a successor Trustee acceptable to the Administrative Agent and the Majority Noteholders. If the Issuer fails to appoint such a successor Trustee, the Administrative Agent and the Majority Noteholders may appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee, the Administrative Agent, the Noteholders and the Issuer, whereupon, 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 retiring Trustee under this Indenture. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer, the Administrative Agent or the Majority Noteholders may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section shall not become effective until acceptance of appointment by the successor Trustee pursuant to SECTION 6.8.

(f) Notwithstanding the replacement of the Trustee pursuant to this Section, the obligations of the Issuer and CPS under SECTION 6.7 shall continue for the benefit of the retiring Trustee.

SECTION 6.9 SUCCESSOR TRUSTEE BY MERGER.

(a) If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee. The Trustee shall provide the Noteholders and the Administrative Agent prior written notice of any such transaction.

(b) In case at the time such successor or successors to the Trustee by merger, conversion or consolidation shall succeed to the trusts created by this Indenture the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver the Notes so authenticated; and in case at that time the Notes shall not have been authenticated, any successor to the Trustee may authenticate the Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 6.10 APPOINTMENT OF CO-TRUSTEE OR SEPARATE TRUSTEE.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Trust Estate may at the time be located, the Trustee with the consent of the Administrative Agent and the Majority Noteholders shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust Estate, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders and the Administrative Agent, such title to the Trust Estate, or any part thereof, and, subject to the other provisions of this Section, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 and no notice to the Administrative Agent or the Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.8 hereof.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Trust or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, including acts or omissions of predecessor or successor trustees; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this ARTICLE VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, dissolve, become insolvent, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall invest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

SECTION 6.11 ELIGIBILITY: DISQUALIFICATION. The Trustee shall have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition and subject to supervision or examination by federal or state authorities; and having a rating, both with respect to long-term and short-term unsecured obligations, of not less than investment grade by Standard & Poor's or Moody's. The Trustee shall provide copies of such reports to the Administrative Agent and the Noteholders upon request.

SECTION 6.12 [RESERVED].

SECTION 6.13 APPOINTMENT AND POWERS. Subject to the terms and conditions hereof, the initial Noteholder and the Administrative Agent hereby appoint Wells Fargo Bank, National Association as the Trustee with respect to the Collateral, and Wells Fargo Bank, National Association hereby accepts such appointment and agrees to act as Trustee with respect to the Collateral for the benefit of the Noteholders and the Administrative Agent, to maintain custody and possession of such Collateral (except as otherwise provided hereunder) and to perform the other duties of the Trustee in accordance with the provisions of this Indenture and the other Basic Documents. Each Noteholder, by its acceptance of a Note, hereby authorizes the Trustee to take such action on its behalf, and to exercise such rights, remedies, powers and privileges hereunder, as such Noteholder may direct and as are specifically authorized to be exercised by the Trustee by the terms hereof, together with such actions, rights, remedies, powers and privileges as are reasonably incidental thereto. The Trustee shall act upon and in compliance with the written instructions of the Administrative Agent or the Majority Noteholders delivered pursuant to this Indenture promptly following receipt of such written instructions; provided that the Trustee shall not act in accordance with any instructions (i) which are not authorized by, or in violation of the provisions of, this Indenture, (ii) which are in violation of any applicable law, rule or regulation or (iii) for which the Trustee has not received reasonable indemnity. Receipt of such instructions shall not be a condition to the exercise by the Trustee of its express duties hereunder, except where this Indenture provides that the Trustee is permitted to act only following and in accordance with such instructions.

SECTION 6.14 PERFORMANCE OF DUTIES. The Trustee shall have no duties or responsibilities except those expressly set forth in this Indenture and the other Basic Documents to which the Trustee is a party or as directed by the Noteholders or the Administrative Agent in accordance with this Indenture. The Trustee shall not be required to take any discretionary actions hereunder except at the written direction of the Administrative Agent or the Majority Noteholders. The Trustee shall, and hereby agrees that it will, perform all of the duties and obligations required of it under the Basic Documents.

SECTION 6.15 LIMITATION ON LIABILITY. Neither the Trustee nor any of its directors, officers or employees shall be liable for any action taken or omitted to be taken by it or them in good faith hereunder, or in connection herewith, except that the Trustee shall be liable for its negligence, bad faith or willful misconduct. Notwithstanding any term or provision of this Indenture, the Trustee shall incur no liability to the Issuer, the Administrative Agent or the Noteholders for any action taken or omitted by the Trustee in connection with the Collateral, except for the negligence, bad faith or willful misconduct on the part of the Trustee, and, further, shall incur no liability to the Administrative Agent or the Noteholders except for negligence, bad faith or willful misconduct in carrying out its duties to the Administrative Agent and the Noteholders. The Trustee shall at all times be free independently to establish to its reasonable satisfaction, but shall have no duty to independently verify, the existence or nonexistence of facts that are a condition to the exercise or enforcement of any right or remedy hereunder or under any of the Basic Documents. The Trustee may consult with counsel, and shall not be liable for any action taken or omitted to be taken by it hereunder in good faith and in accordance with the written advice of such counsel. The Trustee shall not be under any obligation to exercise any of the remedial rights or powers vested in it by this Indenture or to follow any direction from the Administrative Agent or the Noteholders unless it shall have received reasonable security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it.

SECTION 6.16 [RESERVED].

SECTION 6.17 SUCCESSOR TRUSTEE.

(a) MERGER. Any Person into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any Person resulting from any such conversion, merger, consolidation, sale or transfer to which the Trustee is a party, shall (provided it is otherwise qualified to serve as the Trustee hereunder) be and become a successor Trustee hereunder and be vested with all of the title to and interest in the Collateral and all of the trusts, powers, descriptions, immunities, privileges and other matters and have all of the obligations as its predecessor without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, except to the extent, if any, that any such action is necessary to perfect, or continue the perfection of, the security interest of the Trustee for the benefit of the Administrative Agent and the Noteholders in the Collateral; provided that any such successor shall also be the successor Trustee under SECTION 6.9.

(b) REMOVAL. The Trustee may be removed by the Administrative Agent and the Majority Noteholders at any time, with or without cause, by an instrument or concurrent instruments in writing delivered to the Trustee and the Issuer. A temporary successor may be removed at any time to allow a successor Trustee to be appointed pursuant to subsection (c) below. Any removal pursuant to the provisions of this subsection (b) shall take effect only upon the date which is the latest of (i) the effective date of the appointment of a successor Trustee and the acceptance in writing by such successor Trustee of such appointment and of its obligation to perform its duties hereunder in accordance with the provisions hereof, and (ii) receipt by the Administrative Agent and the Noteholders of an Opinion of Counsel to the effect described in Section 3.6.

(c) ACCEPTANCE BY SUCCESSOR. The Majority Noteholders and the Administrative Agent shall have the sole right to appoint each successor Trustee. Every temporary or permanent successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Trustee, the Administrative Agent, the Noteholders and the Issuer an instrument in writing accepting such appointment hereunder and the relevant predecessor shall execute, acknowledge and deliver such other documents and instruments as will effectuate the delivery of all Collateral to the successor Trustee, whereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, duties and obligations of its predecessor. Such predecessor shall, nevertheless, on the written request of the Majority Noteholders and the Administrative Agent or the Issuer, execute and deliver an instrument transferring to such successor all the estates, properties, rights and powers of such predecessor hereunder. In the event that any instrument in writing from the Issuer or the Administrative Agent and the Majority Noteholders is reasonably required by a successor Trustee to more fully and certainly vest in such successor the estates, properties, rights, powers, duties and obligations vested or intended to be vested hereunder in the Trustee, any and all such written instruments shall at the request of the temporary or permanent successor Trustee, be forthwith executed, acknowledged and delivered by the Trustee or the Issuer, as the case may be. The designation of any successor Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for herein, shall be maintained with the records relating to the Collateral and, to the extent required by applicable law, filed or recorded by the successor Trustee in each place where such filing or recording is necessary to effect the transfer of the Collateral to the successor Trustee or to protect or continue the perfection of the security interests granted hereunder.

SECTION 6.18 [RESERVED].

SECTION 6.19 REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE. The Trustee represents and warrants to the Issuer, the Administrative Agent and the Majority Noteholders as follows:

(a) The Trustee is a national banking association, duly organized, validly existing and in good standing under the laws of the United States and is duly authorized and licensed under applicable law to conduct its business as presently conducted.

(b) The Trustee has all requisite right, power and authority to execute and deliver this Indenture and to perform all of its duties as Trustee hereunder.

(c) The execution and delivery by the Trustee of this Indenture and the other Basic Documents to which it is a party, and the performance by the Trustee of its duties hereunder and thereunder, have been duly authorized by all necessary corporate proceedings and no further approvals or filings, including any governmental approvals, are required for the valid execution and delivery by the Trustee, or the performance by the Trustee, of this Indenture and such other Basic Documents.

(d) The Trustee has duly executed and delivered this Indenture and each other Basic Document to which it is a party, and each of this Indenture and each such other Basic Document constitutes the legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms, except as (i) such enforceability may be limited by bankruptcy, insolvency, reorganization and similar laws relating to or affecting the enforcement of creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

(e) The Trustee is in possession of the Pledged Residual Certificates set forth in SCHEDULE II hereto.

SECTION 6.20 WAIVER OF SETOFFS. The Trustee hereby expressly waives any and all rights of setoff that the Trustee may otherwise at any time have under applicable law with respect to the Collection Account and agrees that amounts in the Collection Account shall at all times be held and applied solely in accordance with the provisions hereof.

SECTION 6.21 CONTROL BY THE MAJORITY NOTEHOLDERS. The Trustee shall comply with notices and instructions given by the Issuer only if accompanied by the written consent of the Majority Noteholders, except that if any Event of Default shall have occurred and be continuing, the Trustee shall act upon and comply with notices and instructions given by the Majority Noteholders alone in the place and stead of the Issuer.

ARTICLE VII
[RESERVED]

ARTICLE VIII
COLLECTION OF MONEY AND RELEASES OF TRUST ESTATE

SECTION 8.1 COLLECTION OF MONEY. Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Trustee pursuant to this Indenture and the other Basic Documents. The Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture and the other Basic Documents, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Trust Estate, the Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V.

SECTION 8.2 ESTABLISHMENT OF COLLECTION ACCOUNT.

(a) On or prior to the Initial Closing Date, the Trustee established an account denominated "Collection Account - Folio Funding II, LLC, Wells Fargo Bank, National Association, as Trustee for the benefit of the Issuer Secured Parties" (the "COLLECTION ACCOUNT").

(b) The Collection Account shall be an Eligible Account and shall relate solely to the Notes and, if applicable, the related Eligible Investments. The location and account number of the Collection Account as of the Effective Date is at the Corporate Trust Office, account number 22409000. The Trustee shall give the Issuer at least five Business Days' written notice of any change in the location of the Collection Account and any related account identification information. All amounts, financial assets and investment property held in, deposited in or credited to, from time to time, the Collection Account shall be part of the Trust Estate and shall be invested by the Trustee in Eligible Investments pursuant to Section 8.3(b). In addition, the Trustee shall not in any way be held liable by reason of any insufficiency in the Collection Account held by or on behalf of the Trustee resulting from any investment loss on any Eligible Investments.

SECTION 8.3 COLLECTION ACCOUNT.

(a) The Trustee has deposited or caused to be deposited, and agrees to deposit, or cause to be deposited all distributions received with respect to the Collateral from and after the Initial Closing Date into the Collection Account. On the Business Day immediately prior to each Settlement Date, the Trustee shall inform the Administrative Agent of the amount on deposit in the Collection Account after all distributions in respect of the Pledged Residual Interest Certificates have been deposited therein. Any withdrawal or distribution of any amount on deposit in the Collection Account by the Trustee, including without limitation, any withdrawal or distribution to be made on any Settlement Date in accordance with the related Settlement Date Statement, in each case, shall only be made with the Administrative Agent's prior written approval (such prior written approval of the Administrative Agent not to be unreasonably withheld and may be in the form of an email to the Trustee from the Administrative Agent).

(b) All funds in the Collection Account shall be invested by the Trustee (if the Trustee maintains the Collection Account), or on behalf of the Trustee by the depository institution maintaining such account, in Eligible Investments only upon the written direction from the Issuer, as described below. Subject to the limitations set forth herein, the Issuer may direct the depository institution maintaining the Collection Account in writing (with a copy of such direction to the Trustee, if the Trustee is not the applicable depository institution) to invest funds in the Collection Account in Eligible Investments. All such investments shall be in the name of the Trustee for the benefit of the Noteholders. All income or other gain from investment of monies deposited in or credited to the Collection Account shall be included in the Available Funds and distributed in accordance with Section 8.5 on each Settlement Date. The maximum permissible maturities of any investments of funds in the Collection Account on any date shall not be later than the Business Day immediately preceding the Settlement Date next succeeding the date of such investment. No investment in Eligible Investments may be sold prior to its maturity. In the absence of written direction as provided above, the Trustee shall, to the fullest extent practicable, invest and reinvest funds held in the Collection Account in one or more Eligible Investments described in clause (f) of the definition thereof.

SECTION 8.4 [RESERVED]

SECTION 8.5 DISTRIBUTIONS. On each Settlement Date, subject to Section 5.7 and Section 8.3(a) hereof, based solely on the Settlement Date Statement upon which the Trustee may conclusively rely, the Trustee shall distribute the Available Funds on such Settlement Date in the following amounts and order of priority:

(i) to the Trustee, the Trustee Fees payable thereto, and reasonable out-of-pocket expenses thereof (including counsel fees and expenses) up to a maximum of $50,000 per annum for such Trustee Fees and expenses, and all unpaid Trustee Fees and unpaid reasonable out-of-pocket expenses (including counsel fees and expenses), but subject to the $50,000 per annum cap, from prior Settlement Dates;

(ii) to the Administrative Agent, the Administrative Agent Fees payable thereto, and reasonable out-of-pocket expenses thereof (including counsel fees and expenses) and all unpaid Administrative Agent Fees and unpaid reasonable out-of-pocket expenses (including counsel fees and expenses) from prior Settlement Dates;

(iii) to the Note Purchaser, any amounts then due and owing to the Note Purchaser under the Basic Documents;

(iv) on a PRO RATA basis in accordance with amounts owed, (x) to the Class A-1 Noteholders, the Class A-1 Noteholders' Interest Distributable Amount and (y) to the Class A-2 Noteholders, the Class A-2 Noteholders' Interest Distributable Amount;

(v) to the Class A-1 Noteholders, the Class A-1 Noteholders' Principal Distributable Amount and any Prepayment Fees then due and owing to the Class A-1 Noteholders;

(vi) to the Class A-2 Noteholders, the Class A-2 Noteholders' Principal Distributable Amount and any Prepayment Fees then due and owing to the Class A-2 Noteholders;

(vii) to the Trustee, any amounts owed pursuant to the Basic Documents, to the extent not previously paid; and

(viii) so long as no Event of Default has occurred, to the Issuer, any remaining amounts.

SECTION 8.6 STATEMENTS TO NOTEHOLDERS. On each Settlement Date, the Trustee shall make available electronically to each Noteholder of record as of the related Record Date the Settlement Date Statement prepared by CPS pursuant to Section 3.9.

The Trustee may make the Settlement Date Statement and, with the consent or at the direction of the Issuer, such other information regarding the Notes and/or the Collateral as the Trustee may have in its possession, available to the Noteholders via the Trustee's Internet website, but only with the use of a password provided by the Trustee; PROVIDED, HOWEVER, the Trustee shall have no obligation to provide such information described in this Section 8.6 until it has received the requisite information from CPS. The Trustee will make no representation or warranties as to the accuracy or completeness of such documents and will assume no responsibility therefor.

The Trustee's Internet website shall be initially located at "www.CTSLink.com" or at such other address as shall be specified by the Trustee from time to time in writing to the Noteholders and the Issuer. In connection with providing access to the Trustee's Internet website, the Trustee may require registration and the acceptance of a disclaimer. The Trustee shall not be liable for the dissemination of information in accordance with this Indenture.

SECTION 8.7 RELEASE OF TRUST ESTATE.

(a) Subject to the payment of its fees and expenses pursuant to SECTION 6.7, the Trustee may, and when required by the provisions of this Indenture shall, execute instruments to release property from the lien of this Indenture, in a manner and under circumstances that are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by the Trustee as provided in this ARTICLE VIII shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(b) The Trustee shall, at such time as there are no Notes outstanding, all sums due and owing to the Administrative Agent and the Noteholders under any of the Basic Documents have been paid in full, and all sums due the Trustee pursuant to SECTION 6.7 have been paid, release any remaining portion of the Trust Estate that secured the Notes and the other Issuer Secured Obligations from the lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds then on deposit in the Collection Account. The Trustee shall release property from the lien of this Indenture pursuant to this SECTION 8.7(b) only upon receipt of an Issuer Request accompanied by an Officer's Certificate meeting the applicable requirements of SECTION 11.1, a copy of each of which shall be delivered to the Administrative Agent and the Noteholders.

SECTION 8.8 OPINION OF COUNSEL. The Trustee shall receive at least seven days' notice when requested by the Issuer to take any action pursuant to Section 8.7(a), accompanied by copies of any instruments involved, and the Trustee shall also require as a condition to such action, an Opinion of Counsel in form and substance satisfactory to the Trustee, stating the legal effect of any such action, outlining the steps required to complete the same, and concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely affect the security for the Notes or the rights of the Administrative Agent and/or the Noteholders in contravention of the provisions of this Indenture or any of the other Basic Documents; provided, however, that such Opinion of Counsel shall not be required to express an opinion as to the fair value of the Trust Estate. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Trustee in connection with any such action.

ARTICLE IX
SUPPLEMENTAL INDENTURES

SECTION 9.1 SUPPLEMENTAL INDENTURES WITH THE CONSENT OF THE ADMINISTRATIVE AGENT AND THE MAJORITY NOTEHOLDERS.

(a) The Issuer, the Administrative Agent and the Trustee, when authorized by an Issuer Order, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any purpose, but only with the prior written consent of the Majority Noteholders.

(b) Unless otherwise specified by the Administrative Agent or the Majority Noteholders, it shall be necessary for any Act of the Majority Noteholders under this Section to approve the form and substance of any proposed supplemental indenture.

(c) Promptly after the execution by the Issuer, the Administrative Agent and the Trustee of any supplemental indenture pursuant to this Section, the Trustee shall mail to each Noteholder a copy of such supplemental indenture. Any failure of the Trustee to mail such copy shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 9.2 EXECUTION OF SUPPLEMENTAL INDENTURES. In executing, or permitting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and subject to Sections 6.1 and 6.2, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

SECTION 9.3 EFFECT OF SUPPLEMENTAL INDENTURE. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Trustee, the Issuer, the Administrative Agent and the Noteholders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

ARTICLE X
REPAYMENT AND PREPAYMENT OF NOTES

SECTION 10.1 REPAYMENT OF THE NOTES; OPTIONAL PREPAYMENT OF THE NOTES. The outstanding principal balance of the Notes and all accrued and unpaid interest thereon shall be payable in full by the Facility Termination Date and otherwise as provided in Section 3.1, Section 8.5, and if applicable, Section 5.7, and the form of Notes attached as Exhibits A-1 and A-2. The Issuer may, at its option, prepay the Class A-1 Invested Amount and/or the Class A-2 Invested Amount, in whole or in part, at any time on any Business Day (such day the "PREPAYMENT DATE") in accordance with this Section 10.1 and Section 10.2; provided that in connection with a prepayment of the Notes, other than in

connection with a prepayment of the Notes pursuant to Section 3.07 of the Note Purchase Agreement, no such prepayment may occur unless and until all amounts due and payable in respect of clauses (i) through (vii) of Section 8.5 have been paid in full irrespective of whether Available Funds are sufficient for this purpose. Simultaneous with any such prepayment, the Issuer shall pay all accrued and unpaid interest on the applicable Invested Amount to be prepaid and all other amounts then due and owing under the Basic Documents. Any prepayment in whole or in part of the Notes prior to the date which is 45 days prior to the Class A-2 Facility Termination Date shall be subject to the payment of a Prepayment Fee pursuant to Section 3.02(b) of the Note Purchase Agreement. For the avoidance of doubt, no Collateral shall be released from the lien of the Indenture until satisfaction and discharge of this Indenture in accordance with Article IV hereof. Any principal amounts paid in respect of the Notes may not be re-borrowed.

SECTION 10.2 NOTICE OF PREPAYMENT. Other than in connection with a prepayment of the Notes pursuant to Section 3.07 of the Note Purchase Agreement, notice of any prepayment of the Notes shall be given, upon the direction of the Issuer, by the Trustee by facsimile transmission, courier or first class mail, postage prepaid, mailed, faxed or couriered not less than five (5) days prior to the related Prepayment Date, to the Administrative Agent and each Noteholder. All notices of prepayment shall state (i) the Prepayment Date, (ii) the applicable Invested Amount to be prepaid, (iii) the estimated accrued and unpaid interest on the applicable Invested Amount to be prepaid and (iv) any other amounts due and owing to the Administrative Agent under the Basic Documents. Failure to give notice of prepayment, or any defect therein, to a Noteholder or the Administrative Agent shall not impair or affect the validity of such prepayment.

SECTION 10.3 GENERAL PROCEDURES. The applicable Invested Amount of a class of Notes and amounts due to the Noteholders or the Administrative Agent by the Issuer under the Basic Documents shall not be considered reduced by any allocation, setting aside or distribution of any portion of the Available Funds unless such Available Funds shall have been actually paid to the related Noteholders or the Administrative Agent, as applicable. The applicable Invested Amount of a class of Notes and amounts due to the Noteholders or the Administrative Agent by the Issuer under the Basic Documents shall not be considered repaid by any distribution of any portion of the Available Funds if at any time such distribution is rescinded or must otherwise be returned for any reason, in which event, if such amount has been returned by the related Noteholders or the Administrative Agent, as applicable, such principal, interest and/or other amount shall be reinstated in an amount equal to the amount returned by the related Noteholders or the Administrative Agent, as applicable. No provision of this Indenture shall require the payment or permit the collection of interest in excess of the maximum permitted by applicable law.

ARTICLE XI
MISCELLANEOUS

SECTION 11.1 COMPLIANCE CERTIFICATES AND OPINIONS, ETC.

(a) Except as set forth herein, upon any application or request by the Issuer to the Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Trustee, with a copy of each to the Administrative Agent and the Noteholders, (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, and (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(ii) 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;

(iii) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such signatory such condition or covenant has been complied with.

(b) Other than with respect to Dollars, prior to the deposit of any Collateral or other property or securities with the Trustee that is to be made subject to the lien of this Indenture, the Issuer shall, in addition to any obligation imposed in SECTION 11.1(a) or elsewhere in this Indenture, furnish to the Trustee, with a copy thereof to the Administrative Agent and the Noteholders, an Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (on the date of such deposit) to the Issuer of the Collateral or other property or securities to be so deposited.

(c) Notwithstanding Section 2.10 or any provision of this Section, the Issuer may (A) collect, liquidate, sell or otherwise dispose of Collateral as and to the extent permitted or required by the Basic Documents and (B) make cash payments out of the Collection Account as and to the extent permitted or required by the Basic Documents.

SECTION 11.2 FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

(a) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

(b) Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Seller, the Purchaser or the Issuer, stating that the information with respect to such factual matters is in the possession of the Seller, the Purchaser or the Issuer, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

(c) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

(d) Whenever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI.

SECTION 11.3 ACTS OF THE NOTEHOLDERS OR THE ADMINISTRATIVE AGENT.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by a Noteholder or the Administrative Agent may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholder or the Administrative Agent in person or by agents duly appointed in writing; and except as herein otherwise expressly provided such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "ACT" of the Noteholders or the Administrative Agent signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.1) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section.

(b) The fact and date of the execution by any person of any such instrument or writing may be proved in any customary manner of the Trustee.

(c) The ownership of the Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by a Holder of a Note shall bind each Holder of such Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

SECTION 11.4 NOTICES, ETC., TO TRUSTEE, ISSUER, THE ADMINISTRATIVE AGENT AND NOTEHOLDERS. Any request, demand, authorization, direction, notice, consent, waiver or Act of the Noteholders or the Administrative Agent or other documents provided or permitted by this Indenture to be made upon, given or furnished to or filed with:

(a) the Trustee by the Administrative Agent, the Noteholders or by the Issuer shall be sufficient for every purpose hereunder if personally delivered, delivered by overnight courier or mailed certified mail, return receipt requested and shall be deemed to have been duly given upon receipt of the Trustee at its Corporate Trust Office or in the case of email, notice shall be deemed to have been duly given when transmitted by email (evidenced by telephonic or written confirmation of receipt of such email);

(b) the Issuer by the Trustee or by the Administrative Agent or the Noteholders shall be sufficient for every purpose hereunder if personally delivered, delivered by overnight courier or mailed certified mail, return receipt requested or via email and in the case of personal delivery or overnight courier only, shall be deemed to have been duly given upon receipt by the Issuer or in the case of email, notice shall be deemed to have been duly given when transmitted by email (evidenced by telephonic or written confirmation of receipt of such email), c/o Consumer Portfolio Services, Inc. 16355 Laguna Canyon Road, Irvine, California 92618 Attention: Mark Creatura, Esq. Confirmation: (888) 785-6691, email: mcreatura@consumerportfolio.com or at such other address previously furnished in writing to the Trustee by the Issuer. The Issuer shall promptly transmit any notice received by it from the Noteholders or the Administrative Agent to the Trustee; or

(c) the Administrative Agent shall be sufficient for any purpose hereunder if in writing and delivered by overnight courier or mailed certified mail, return receipt requested, or personally delivered or, in the case of email, notice shall be deemed to have been duly given when transmitted by email (evidenced by telephonic or written confirmation of receipt of such email) to the recipient as follows (or such other address previously furnished in writing to the Trustee):

To the Administrative Agent:

Citigroup Financial Products Inc.
390 Greenwich Street
New York New York 10013
Attention: Ari Rosenberg, Managing Director
email: ari.rosenberg@citi.com
Telephone No.: 212-723-1041

Attention: Marc Daly, Vice President
Telecopier No.: 212-723-8591
Telephone No.: 212-723-4571

with a copy to:

Citigroup Global Securitized Products
450 Mamaroneck Avenue
Harrison, NY 10528
Attention: Robert Kohl, Senior Vice President
email:
Telephone No.: 914-899-7142
Attention: John Koterbay, Vice President
email:
Telephone No.: 914-899-7155

(d) the Noteholders shall be sufficient for any purpose hereunder if in writing and delivered by overnight courier or mailed certified mail, return receipt requested, or personally delivered or telexed or telecopied to the recipient's contact information reflected in the Note Register.

(e) The Administrative Agent may deliver to the Noteholders any notices, reports, statements, certificates or any other documentation delivered to the Administrative Agent hereunder or under any Basic Document, but is under no obligation to so deliver such documentation and shall not be liable for the content thereof.

SECTION 11.5 WAIVER. Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice with respect to itself only, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by the Administrative Agent or a Noteholder shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver. In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to the Administrative Agent or a Noteholder when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 11.6 ALTERNATE PAYMENT AND NOTICE PROVISIONS. Notwithstanding any provision of this Indenture or the Notes to the contrary, the Issuer may enter into any agreement with a Holder of a Note or the Administrative Agent providing for a method of payment, or notice by the Trustee or the Note Paying Agent to such Holder or the Administrative Agent, that is different from the methods provided for in this Indenture for such payments or notices, provided that such methods are reasonable and consented to by the Trustee (which consent shall not be unreasonably withheld). The Issuer will furnish to the Trustee a copy of each such agreement and the Trustee will cause payments to be made and notices to be given in accordance with such agreements.

SECTION 11.7 EFFECT OF HEADINGS AND TABLE OF CONTENTS. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 11.8 SUCCESSORS AND ASSIGNS. All covenants and agreements in this Indenture and the Note by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Trustee in this Indenture shall bind its successors. The Issuer may not assign any of its rights or obligations hereunder, under the Notes or under any other Basic Document without the prior written consent of the Administrative Agent and the Majority Noteholders. Each Noteholder may assign, participate or otherwise transfer to any Affiliate of such Noteholder or any other Person all or any of its rights or obligations under its Note, this Indenture and the other Basic Documents. The Issuer agrees to cooperate with each Noteholder in connection with any such assignment or transfer, to execute and deliver such replacement notes, and to enter into such restatements of, and amendments, supplements and other modifications to, this Indenture and the other Basic Documents in order to give effect to such assignment or transfer.

SECTION 11.9 BENEFITS OF INDENTURE. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the Administrative Agent (which shall be a third-party beneficiary of this Indenture) and its successors and assigns, and the Noteholders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the Trust Estate, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 11.10 SEVERABILITY. In case any provision in this Indenture or in the Notes 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 11.11 LEGAL HOLIDAYS. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Notes, this Indenture or any other Basic Document) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

SECTION 11.12 GOVERNING LAW. THIS INDENTURE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 11.13 COUNTERPARTS. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Any signature page to this Indenture containing a manual signature may be delivered by facsimile transmission or other electronic communication device capable of transmitting or creating a printable written record, and when so delivered shall have the effect of delivery of an original manually signed signature page.

SECTION 11.14 RECORDING OF INDENTURE. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel (which may be counsel to the Trustee or any other counsel reasonably acceptable to the Trustee) to the effect that such recording is necessary either for the protection of the Noteholders, the Administrative Agent or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Trustee under this Indenture.

SECTION 11.15 ISSUER OBLIGATION. The obligations of the Issuer under this Indenture and the other Basic Documents shall be full recourse obligations of the Issuer. Notwithstanding the foregoing, except as provided for in the Guaranty, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Trustee on the Notes, under this Indenture, any other Basic Document or any certificate or other writing delivered in connection herewith or therewith, against (i) the Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee or agent of the Issuer or the Trustee in its individual capacity, any holder of a beneficial interest in the Issuer or the Trustee or of any successor or assign of the Trustee in its individual capacity, except as any such Person may have expressly agreed (it being understood that the Trustee has no such obligations in its individual capacity) and except that any such partner, owner or beneficiary shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity. Nothing contained in this Section shall limit or be deemed to limit any obligations of the Issuer, the Purchaser or the Seller hereunder or under any other Basic Document, as applicable, which obligations are full recourse obligations of the Issuer, the Purchaser and the Seller.

SECTION 11.16 NO PETITION. The Trustee, by entering into this Indenture, hereby covenants and agrees that it will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Notes, this Indenture or any of the Basic Documents.

SECTION 11.17 BOOKS AND RECORDS; INSPECTION; OTHER INFORMATION.

(a) The Issuer shall maintain accurate and complete books and records with respect to the Collateral and the Issuer's business. All accounting books and records shall be maintained in accordance with GAAP.

(b) The Issuer shall, and shall cause each of its Affiliates to, permit any representative of the Administrative Agent, a Noteholder or the Trustee to visit and inspect any of the properties of the Issuer and such Affiliates to examine the books and records of the Issuer and such Affiliates, as applicable, and to make copies and take extracts therefrom, and to discuss the business, operations, properties, condition (financial or otherwise) or prospects of the Issuer and each such Affiliate, as applicable, or any of the Collateral with the officers and independent public accountants thereof and as often as the Administrative Agent, a Noteholder or the Trustee may reasonably request, and so long as no Default or Event of Default shall have occurred and be continuing, all at such reasonable times during normal business hours upon reasonable notice; provided that, after a Default or Event of Default shall have occurred and be continuing, the Administrative Agent, a Noteholder or the Trustee shall make such inspections, examine such documents and conduct such discussions at such times as it may determine in its sole discretion.

(c) The Issuer shall promptly provide to the Administrative Agent all information regarding the Collateral, its operations and practices as the Administrative Agent shall reasonably request.

(d) The Issuer shall furnish or cause to be furnished to the Administrative Agent, as soon as publicly available, copies of (w) any and all Relevant Reports that CPS or the Issuer sends to its respective shareholders or members, (x) all reports, correspondence and other information provided by CPS to its unsecured noteholders, (y) copies of all (if any) regular, periodic and special reports, and all registration statements publicly filed by CPS or any Affiliate of CPS with the Securities and Exchange Commission or any Governmental Authority that supervises the issuance of securities by CPS, the Issuer or any other Affiliate of CPS, and (z) any press releases concerning CPS or the Issuer.

SECTION 11.18 ENTIRE AGREEMENT. This Indenture, together with the other Basic Documents, including the exhibits and schedules thereto, contains a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all previous oral statements and other writings with respect thereto.

SECTION 11.19 EFFECTIVENESS. This Agreement shall be effective as of the Effective Date upon (i) the execution and delivery by the Issuer, the Trustee and the Administrative Agent, (ii) receipt of the written consent of the Administrative Agent and the Majority Noteholders and (iii) the satisfaction of all conditions precedent set forth in Article VI of the Note Purchase Agreement.

SECTION 11.20 SPECIFIC PERFORMANCE. The Issuer expressly agrees that any breach or threatened breach of any duty, covenant, undertaking, indemnity, agreement or obligation hereunder or under any other Basic Document will cause irreparable harm to the Noteholder, the Note Purchaser and the Administrative Agent and the Noteholder, the Note Purchaser and the Administrative Agent shall be entitled, in addition to any other rights or remedies provided hereunder, thereunder or otherwise by law or in equity, to injunctive relief, any application for which the Issuer shall not oppose.

[Signature Page Follows]

IN WITNESS WHEREOF, the Issuer, the Administrative Agent and the Trustee have caused this Indenture to be duly executed by their respective officers, hereunto duly authorized, all as of the day and year first above written.

FOLIO FUNDING II, LLC, as Issuer

By: _____
Name: _____
Title: _____

CITIGROUP FINANCIAL PRODUCTS INC.,
as Administrative Agent

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By: _____
Name: _____
Title: _____

Consented and agreed to solely for purposes of Section 9.1 of the Original Indenture:

CITIGROUP FINANCIAL PRODUCTS, INC.,
as Administrative Agent

By: _____
Name:
Title:

CITIGROUP FINANCIAL PRODUCTS, INC.,
as the Majority Noteholder

By: _____
Name:
Title:

EXHIBIT A-1

AMENDED AND RESTATED CLASS A-1 TERM NOTE

REGISTERED $10,000,000

No. A-1 Percentage Interest:___ %

SEE REVERSE FOR CERTAIN CONDITIONS

THIS CLASS A-1 NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR "BLUE SKY" LAWS AND MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY TO (I) THE ISSUER (UPON REDEMPTION THEREOF OR OTHERWISE) OR AN AFFILIATE OF THE ISSUER (AS CERTIFIED BY THE ISSUER) OR (2) AN INSTITUTIONAL INVESTOR THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT THAT EXECUTES A CERTIFICATE, SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE, TO THE EFFECT THAT IT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACTING FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE INSTITUTIONAL ACCREDITED INVESTORS UNLESS THE HOLDER IS A BANK ACTING IN ITS FIDUCIARY CAPACITY) (3) SO LONG AS THIS CLASS A-1 NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A TO A PERSON THAT EXECUTES A CERTIFICATE, SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE, TO THE EFFECT THAT SUCH PERSON IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A), ACTING FOR ITS OWN ACCOUNT, OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE SALE, PLEDGE, OR TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION: PROVIDED, THAT, IN THE CASE OF CLAUSE (4), THE TRUSTEE OR THE ISSUER MAY REQUIRE AN OPINION OF COUNSEL TO THE EFFECT THAT SUCH TRANSFER MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT, WHICH OPINION OF COUNSEL, IF SO REQUIRED, SHALL BE ADDRESSED TO THE ISSUER AND THE TRUSTEE AND SHALL BE SECURED AT THE EXPENSE OF THE HOLDER. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A FOR RESALES OF THIS CLASS A-1 NOTE.

THE PRINCIPAL OF THIS CLASS A-1 NOTE IS PAYABLE IN INSTALLMENTS AND SUBJECT TO DECREASES AS SET FORTH HEREIN AND IN THE INDENTURE. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS A-1 NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

THIS CLASS A-1 NOTE AMENDS AND RESTATES THE CLASS A-1 VARIABLE FUNDING NOTE, DATED AS OF JULY 13, 2007 IN THE ORIGINAL PRINCIPAL AMOUNT OF UP TO $60,000,000.00 ISSUED BY THE ISSUER UNDER THE INDENTURE (THE "ORIGINAL NOTE"), AND IS NOT A NOVATION OF THE ORIGINAL NOTE.

THE CLASS A-1 NOTE REGISTRAR SHALL NOT REGISTER ANY TRANSFER OR EXCHANGE OF THIS CLASS A-1 NOTE TO THE EXTENT THAT UPON SUCH TRANSFER OR EXCHANGE THERE WOULD BE MORE THAN TEN (10) PERSONS REFLECTED ON THE NOTE REGISTER AS CLASS A-1 NOTEHOLDERS.

FOLIO FUNDING II, LLC
CLASS A-1 TERM NOTE

FOLIO FUNDING II, LLC, a Delaware limited liability company (herein referred to as the "ISSUER"), for value received, hereby promises to pay to [_____] (the "CLASS A-1 NOTEHOLDER"), or its registered assigns, such Class A-1 Noteholder's pro rata portion (based on the Percentage Interest reflected on the face of this Class A-1 Note) of the principal sum of TEN MILLION DOLLARS ($10,000,000.00) or, if less, the Holders pro rata portion (based on the Percentage Interest reflected on the face of this Class A-1 Note) of the aggregate unpaid principal amount outstanding under all of the Class A-1 Notes (whether or not shown on the schedule attached hereto (or such electronic counterpart maintained by the Trustee), which amount shall be payable in the amounts and at the times set forth in Section 2.8(b) of the Indenture (in each case based on the applicable Percentage Interest). The Issuer will pay interest on the Holder's pro rata portion of the Class A-1 Invested Amount at the Class A-1 Note Interest Rate. Such interest shall be due and payable on each Settlement Date until the principal of this Class A-1 Note is paid or made available for payment, to the extent funds will be available from the Collection Account processed from and including the preceding Settlement Date to but excluding each such Settlement Date in respect of (a) an amount equal to interest accrued for the related Interest Period, which will be equal to the sum of the products, for each day during the related Interest Period, of (i) the Class A-1 Note Interest Rate for such date during the Interest Period, (ii) the Class A-1 Invested Amount as of the close of business on such date divided by 360 and (iii) the applicable Percentage Interest, plus (b) an amount equal to a pro rata portion of any accrued and unpaid Class A-1 Noteholders' Interest Carryover Shortfall with respect to prior Interest Periods, with interest on the amount of such Class A-1 Noteholders' Interest Carryover Shortfall at the Class A-1 Note Interest Rate from the first Business Day of the related Interest Period. The Issuer may, at its option, prepay the Class A-1 Invested Amount, in whole or in part, at any time pursuant to Section 10.1 of the Indenture. Following the occurrence of an Event of Default, the Trustee (acting upon the written direction of the Majority Noteholders) may declare the Class A-1 Invested Amount to be immediately due and payable at par, together with accrued interest thereon, in accordance with Section 5.2 of the Indenture. Principal of and interest on this Class A-1 Note shall be paid in the manner specified on the reverse hereof.

The principal of and interest on this Class A-1 Note are payable 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. This Class A-1 Note does not represent an interest in, or an obligation of CPS or any affiliate of CPS other than the Issuer.

Reference is made to the further provisions of this Class A-1 Note set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this Class A-1 Note. Although a summary of certain provisions of the Indenture are set forth below and on the reverse hereof and made a part hereof, this Class A-1 Note does not purport to summarize the Indenture and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds and duties evidenced hereby and the rights, duties and obligations of the Seller and the Trustee. A copy of the Indenture may be requested from the Trustee by writing to the Trustee at: Wells Fargo Bank, National Association, 6th & Marquette, MAC N9311-161, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services, -- Asset Backed Administration. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Indenture.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class A-1 Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

[Signature page follows.]

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer.

Date: [_____]

FOLIO FUNDING II, LLC

By: _____
Name: _____
Title: _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is the Class A-1 Note issued under the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: _____
Authorized Signature

REVERSE OF THE CLASS A-1 TERM NOTE

This Class A-1 Note is the duly authorized Class A-1 Note of the Issuer, designated as its Class A-1 Term Note (herein called the "CLASS A-1 NOTE"), issued under (i) the Amended and Restated Indenture, dated as of July 10, 2008 (such Indenture, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, is herein called the "INDENTURE"), among the Issuer, Citigroup Financial Products, Inc., as administrative agent (the "ADMINISTRATIVE AGENT") and Wells Fargo Bank, National Association, a national banking association, as trustee (the "TRUSTEE", which term includes any successor Trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee, the Administrative Agent and the Class A-1 Noteholders. The Class A-1 Note is subject to all terms of the Indenture. All terms used in this Class A-1 Note that are defined in the Indenture, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, shall have the meanings assigned to them in or pursuant to the Indenture, as so amended, supplemented or otherwise modified.

"SETTLEMENT DATE" means, the 18th day of each calendar month or, if such 18th day is not a Business Day, the next Business Day.

The Class A-1 Notes are payable in the amounts and at times set forth in Section 2.8(b) of the Indenture. Notwithstanding the foregoing, if a Principal Coverage Ratio Violation has occurred or an Event of Default shall have occurred and be continuing then, in certain circumstances, principal on the Class A-1 Note may be paid earlier, as described in the Indenture.

Payments of interest on this Class A-1 Note due and payable on each Settlement Date, together with the installment of principal then due, and any payments of principal made on any Business Day in respect of any prepayments, to the extent not in full payment of this Class A-1 Note, shall be made by wire transfer to the Holder of record of this Class A-1 Note (or any predecessor Class A-1 Note) on the Note Register as of the close of business on each Record Date. Any reduction in the principal amount of this Class A-1 Note (or any predecessor Class A-1 Note) effected by any payments made on any date shall be binding upon all future Holders of this Class A-1 Note and of any Class A-1 Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted thereon. Final payment of principal (together with any accrued and unpaid interest) on this Class A-1 Note will be paid to the Class A-1 Noteholders only upon presentation and surrender of this Class A-1 Note at the Corporate Trust Office for cancellation by the Trustee.

The Issuer shall pay interest on overdue installments of interest at the Class A-1 Note Interest Rate (calculated for this purpose using the Class A-1 Default Applicable Margin) to the extent lawful.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Class A-1 Note may be registered on the Note Register upon surrender of this Class A-1 Note for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in form

satisfactory to the Issuer and the Registrar duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Class A-1 Notes of authorized Percentage Interest and in the same aggregate Percentage Interest will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Class A-1 Note, but the transferor may be required to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange.

The obligations of the Issuer under the Indenture, this Class A-1 Note and the other Basic Documents shall be full recourse obligations of the Issuer. Notwithstanding the foregoing, except as provided for in the Guaranty, the Class A-1 Noteholder, by its acceptance of this Class A-1 Note, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Trustee on the Class A-1 Notes, under the Indenture, any other Basic Document or any certificate or other writing delivered in connection herewith or therewith, against (i) the Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee or agent of the Issuer or the Trustee in its individual capacity, any holder of a beneficial interest in the Issuer or the Trustee or of any successor or assign of the Trustee in its individual capacity, except as any such Person may have expressly agreed (it being understood that the Trustee has no such obligations in its individual capacity) and except that any such partner, owner or beneficiary shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity. Nothing contained in this Section shall limit or be deemed to limit any obligations of the Issuer, the Purchaser or the Seller hereunder or under any other Basic Document, as applicable, which obligations are full recourse obligations of the Issuer, the Purchaser and the Seller.

Each Class A-1 Noteholder, by its acceptance of this Class A-1 Note, covenants and agrees that by accepting the benefits of the Indenture that such Class A-1 Noteholder will not institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Class A-1 Note, the Indenture or the Basic Documents.

Prior to the due presentment for registration of transfer of this Class A-1 Note, the Trustee and any agent of the Trustee may treat the Person in whose name the Class A-1 Note (as of the applicable Record Date) is registered as the owner hereof for all purposes, whether or not the Class A-1 Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

It is the intent of the Issuer and the Class A-1 Noteholders that, for Federal, State and local income and franchise tax purposes, this Class A-1 Note will evidence indebtedness of the Issuer secured by the Collateral. Each Class A-1 Noteholder, by its acceptance of the Class A-1 Note, agrees to treat the Class A-1 Note for Federal, State and local income and franchise tax purposes as indebtedness of the Issuer.

The Indenture permits in certain circumstances, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Administrative Agent and the Class A-1 Noteholders under the Indenture at any time by the Issuer with the prior written consent of the Administrative Agent and the Majority Noteholders. The Indenture also contains provisions permitting the Administrative Agent (acting upon the written direction of the Majority Noteholders) to waive compliance by the Issuer with certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Administrative Agent shall be conclusive and binding upon the current Class A-1 Noteholders and all future Class A-1 Noteholders and of any Class A-1 Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Class A-1 Note.

The term "ISSUER" as used in this Class A-1 Note includes any successor to the Issuer under the Indenture.

This Class A-1 Note is issuable only in registered form in Percentage Interests as provided in the Indenture, subject to certain limitations set forth therein.

This Class A-1 Note and the Indenture shall be construed in accordance with the law of the State of New York, without reference to its conflict of law provisions (other than Section 5-1401 of the General Obligations Law), and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such law.

No reference herein to the Indenture and no provision of this Class A-1 Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class A-1 Note at the times, place, and rate, and in the coin or currency herein prescribed, subject to any duty of the Issuer to deduct or withhold any amounts as required by law, including any applicable U.S. withholding taxes.

DECREASES

Date	Unpaid Principal Amount	Decrease	Total	Class A-1 Note Interest Rate	Interest Period (if applicable)	Notation Made By

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

_____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers

unto _____
(name and address of assignee)

the within Class A-1 Note and all rights thereunder, and hereby irrevocably constitutes and appoints_____, attorney, to transfer said Class A-1 Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ _____*
Signature Guaranteed:

_____ _____

_____
* NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration, enlargement or any change whatsoever.

EXHIBIT A-2

AMENDED AND RESTATED CLASS A-2 TERM NOTE

REGISTERED $60,000,000

No. A-1 Percentage Interest:___ %

SEE REVERSE FOR CERTAIN CONDITIONS

THIS CLASS A-2 NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR "BLUE SKY" LAWS AND MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY TO (I) THE ISSUER (UPON REDEMPTION THEREOF OR OTHERWISE) OR AN AFFILIATE OF THE ISSUER (AS CERTIFIED BY THE ISSUER) OR (2) AN INSTITUTIONAL INVESTOR THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT THAT EXECUTES A CERTIFICATE, SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE, TO THE EFFECT THAT IT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACTING FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE INSTITUTIONAL ACCREDITED INVESTORS UNLESS THE HOLDER IS A BANK ACTING IN ITS FIDUCIARY CAPACITY) (3) SO LONG AS THIS CLASS A-2 NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A TO A PERSON THAT EXECUTES A CERTIFICATE, SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE, TO THE EFFECT THAT SUCH PERSON IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A), ACTING FOR ITS OWN ACCOUNT, OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE SALE, PLEDGE, OR TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, , OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION: PROVIDED, THAT, IN THE CASE OF CLAUSE (4), THE TRUSTEE OR THE ISSUER MAY REQUIRE AN OPINION OF COUNSEL TO THE EFFECT THAT SUCH TRANSFER MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT, WHICH OPINION OF COUNSEL, IF SO REQUIRED, SHALL BE ADDRESSED TO THE ISSUER AND THE TRUSTEE AND SHALL BE SECURED AT THE EXPENSE OF THE HOLDER. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A FOR RESALES OF THIS CLASS A-2 NOTE.

THE PRINCIPAL OF THIS CLASS A-2 NOTE IS PAYABLE IN INSTALLMENTS AND SUBJECT TO DECREASES AS SET FORTH HEREIN AND IN THE INDENTURE. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS A-2 NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

THIS CLASS A-2 NOTE AMENDS AND RESTATES THE CLASS A-2 TERM NOTE, DATED AS OF JULY 13, 2007 IN THE ORIGINAL PRINCIPAL AMOUNT OF UP TO $60,000,000.00 ISSUED BY THE ISSUER UNDER THE INDENTURE (THE "ORIGINAL NOTE"), AND IS NOT A NOVATION OF THE ORIGINAL NOTE.

THE CLASS A-2 NOTE REGISTRAR SHALL NOT REGISTER ANY TRANSFER OR EXCHANGE OF THIS CLASS A-2 NOTE TO THE EXTENT THAT UPON SUCH TRANSFER OR EXCHANGE THERE WOULD BE MORE THAN TEN (10) PERSONS REFLECTED ON THE NOTE REGISTER AS CLASS A-2 NOTEHOLDERS.

FOLIO FUNDING II, LLC
CLASS A-2 TERM NOTE

FOLIO FUNDING II, LLC, a Delaware limited liability company (herein referred to as the "ISSUER"), for value received, hereby promises to pay to [_____] (the "CLASS A-2 NOTEHOLDER"), or its registered assigns, such Class A-2 Noteholder's pro rata portion (based on the Percentage Interest reflected on the face of this Class A-2 Note) of the principal sum of SIXTY MILLION DOLLARS ($60,000,000.00) or, if less, the Holders pro rata portion (based on the Percentage Interest reflected on the face of this Class A-2 Note) of the aggregate unpaid principal amount outstanding under all of the Class A-2 Notes (whether or not shown on the schedule attached hereto (or such electronic counterpart maintained by the Trustee), which amount shall be payable in the amounts and at the times set forth in Section 2.8(b) of the Indenture (in each case based on the applicable Percentage Interest). The Issuer will pay interest on the Holder's pro rata portion of the Class A-2 Invested Amount at the Class A-2 Note Interest Rate. Such interest shall be due and payable on each Settlement Date until the principal of this Class A-2 Note is paid or made available for payment, to the extent funds will be available from the Collection Account processed from and including the preceding Settlement Date to but excluding each such Settlement Date in respect of (a) an amount equal to interest accrued for the related Interest Period, which will be equal to the sum of the products, for each day during the related Interest Period, of (i) the Class A-2 Note Interest Rate for such date during the Interest Period, (ii) the Class A-2 Invested Amount as of the close of business on such date divided by 360 and (iii) the applicable Percentage Interest, plus (b) an amount equal to a pro rata portion of any accrued and unpaid Class A-2 Noteholders' Interest Carryover Shortfall with respect to prior Interest Periods, with interest on the amount of such Class A-2 Noteholders' Interest Carryover Shortfall at the Class A-2 Note Interest Rate from the first Business Day of the related Interest Period. The Issuer may, at its option, prepay the Class A-2 Invested Amount, in whole or in part, at any time pursuant to Section 10.1 of the Indenture. Following the occurrence of an Event of Default, the Trustee (acting upon the written direction of the Majority Noteholders) may declare the Class A-2 Invested Amount to be immediately due and payable at par, together with accrued interest thereon, in accordance with Section 5.2 of the Indenture. Principal of and interest on this Class A-2 Note shall be paid in the manner specified on the reverse hereof.

The principal of and interest on this Class A-2 Note are payable 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. This Class A-2 Note does not represent an interest in, or an obligation of CPS or any affiliate of CPS other than the Issuer.

Reference is made to the further provisions of this Class A-2 Note set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this Class A-2 Note. Although a summary of certain provisions of the Indenture are set forth below and on the reverse hereof and made a part hereof, this Class A-2 Note does not purport to summarize the Indenture and reference is made to the Indenture for information with respect to the interests, rights, benefits, obligations, proceeds and duties evidenced hereby and the rights, duties and obligations of the Seller and the Trustee. A copy of the Indenture may be requested from the Trustee by writing to the Trustee at: Wells Fargo Bank, National Association, 6th & Marquette, MAC N9311-161, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services, -- Asset Backed Administration. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Indenture.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class A-2 Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

[Signature page follows.]

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer.

Date: [_____]

FOLIO FUNDING II, LLC

By: _____
Name: _____
Title: _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is the Class A-2 Note issued under the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: _____
Authorized Signature

REVERSE OF THE CLASS A-2 TERM NOTE

This Class A-2 Note is the duly authorized Class A-2 Note of the Issuer, designated as its Class A-2 Term Note (herein called the "CLASS A-2 NOTE"), issued under (i) the Amended and Restated Indenture, dated as of July 10, 2008 (such Indenture, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, is herein called the "INDENTURE"), among the Issuer, Citigroup Financial Products, Inc., as administrative agent (the "ADMINISTRATIVE AGENT") and Wells Fargo Bank, National Association, a national banking association, as trustee (the "TRUSTEE", which term includes any successor Trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee, the Administrative Agent and the Class A-2 Noteholders. The Class A-2 Note is subject to all terms of the Indenture. All terms used in this Class A-2 Note that are defined in the Indenture, as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, shall have the meanings assigned to them in or pursuant to the Indenture, as so amended, supplemented or otherwise modified.

"SETTLEMENT DATE" means, the 18th day of each calendar month or, if such 18th day is not a Business Day, the next Business Day.

The Class A-2 Notes are payable in the amounts and at times set forth in Section 2.8(b) of the Indenture. Notwithstanding the foregoing, if a Principal Coverage Ratio Violation has occurred or an Event of Default shall have occurred and be continuing then, in certain circumstances, principal on the Class A-2 Note may be paid earlier, as described in the Indenture.

Payments of interest on this Class A-2 Note due and payable on each Settlement Date, together with the installment of principal then due, if any, and any payments of principal made on any Business Day in respect of any prepayments, to the extent not in full payment of this Class A-2 Note, shall be made by wire transfer to the Holder of record of this Class A-2 Note (or any predecessor Class A-2 Note) on the Note Register as of the close of business on each Record Date. Any reduction in the principal amount of this Class A-2 Note (or any predecessor Class A-2 Note) effected by any payments made on any date shall be binding upon all future Holders of this Class A-2 Note and of any Class A-2 Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted thereon. Final payment of principal (together with any accrued and unpaid interest) on this Class A-2 Note will be paid to the Class A-2 Noteholders only upon presentation and surrender of this Class A-2 Note at the Corporate Trust Office for cancellation by the Trustee.

The Issuer shall pay interest on overdue installments of interest at the Class A-2 Note Interest Rate (calculated for this purpose using the Class A-2 Default Applicable Margin) to the extent lawful.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Class A-2 Note may be registered on the Note Register upon surrender of this Class A-2 Note for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly

endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Registrar duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Class A-2 Notes of authorized Percentage Interest and in the same aggregate Percentage Interest will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Class A-2 Note, but the transferor may be required to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such registration of transfer or exchange.

The obligations of the Issuer under the Indenture, this Class A-2 Note and the other Basic Documents shall be full recourse obligations of the Issuer. Notwithstanding the foregoing, except as provided for in the Guaranty, the Class A-2 Noteholder, by its acceptance of this Class A-2 Note, covenants and agrees that no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Trustee on the Class A-2 Notes, under the Indenture, any other Basic Document or any certificate or other writing delivered in connection herewith or therewith, against (i) the Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee or agent of the Issuer or the Trustee in its individual capacity, any holder of a beneficial interest in the Issuer or the Trustee or of any successor or assign of the Trustee in its individual capacity, except as any such Person may have expressly agreed (it being understood that the Trustee has no such obligations in its individual capacity) and except that any such partner, owner or beneficiary shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity. Nothing contained in this Section shall limit or be deemed to limit any obligations of the Issuer, the Purchaser or the Seller hereunder or under any other Basic Document, as applicable, which obligations are full recourse obligations of the Issuer, the Purchaser and the Seller.

Each Class A-2 Noteholder, by its acceptance of this Class A-2 Note, covenants and agrees that by accepting the benefits of the Indenture that such Class A-2 Noteholder will not institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Class A-2 Note, the Indenture or the Basic Documents.

Prior to the due presentment for registration of transfer of this Class A-2 Note, the Trustee and any agent of the Trustee may treat the Person in whose name the Class A-2 Note (as of the applicable Record Date) is registered as the owner hereof for all purposes, whether or not the Class A-2 Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

It is the intent of the Issuer and the Class A-2 Noteholders that, for Federal, State and local income and franchise tax purposes, this Class A-2 Note will evidence indebtedness of the Issuer secured by the Collateral. Each Class A-2 Noteholder, by its acceptance of the Class A-2 Note, agrees to treat the Class A-2 Note for Federal, State and local income and franchise tax purposes as indebtedness of the Issuer.

The Indenture permits in certain circumstances, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Administrative Agent and the Class A-2 Noteholders under the Indenture at any time by the Issuer with the prior written consent of the Administrative Agent and the Majority Noteholders. The Indenture also contains provisions permitting the Administrative Agent (acting upon the written direction of the Majority Noteholders) to waive compliance by the Issuer with certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Administrative Agent shall be conclusive and binding upon the current Class A-2 Noteholders and all future Class A-2 Noteholders and of any Class A-2 Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Class A-2 Note.

The term "ISSUER" as used in this Class A-2 Note includes any successor to the Issuer under the Indenture.

This Class A-2 Note is issuable only in registered form in Percentage Interests as provided in the Indenture, subject to certain limitations set forth therein.

This Class A-2 Note and the Indenture shall be construed in accordance with the law of the State of New York, without reference to its conflict of law provisions (other than Section 5-1401 of the General Obligations Law), and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such law.

No reference herein to the Indenture and no provision of this Class A-2 Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class A-2 Note at the times, place, and rate, and in the coin or currency herein prescribed, subject to any duty of the Issuer to deduct or withhold any amounts as required by law, including any applicable U.S. withholding taxes.

DECREASES

Date	Unpaid Principal Amount	Decrease	Total	Class A-1 Note Interest Rate	Interest Period (if applicable)	Notation Made By

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

_____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers

unto _____
(name and address of assignee)

the within Class A-2 Note and all rights thereunder, and hereby irrevocably constitutes and appoints_____, attorney, to transfer said Class A-2 Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ _____*

Signature Guaranteed:

_____ _____

_____

* NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration, enlargement or any change whatsoever.

EXHIBIT 10.22

PERFORMANCE GUARANTY

THIS PERFORMANCE GUARANTY, dated as of July 10, 2008 (as amended, modified or supplemented from time to time in accordance with its terms, this "GUARANTY"), is issued by CONSUMER PORTFOLIO SERVICES INC., a California corporation (together with its successors and permitted assigns, the "GUARANTOR"), for the benefit the Note Purchaser (as defined below), the Administrative Agent (as defined below) and the Noteholder (as defined below) (the Noteholder, Note Purchaser, the Administrative Agent and their successors and permitted assigns, the "BENEFICIARIES").

PRELIMINARY STATEMENTS:

WHEREAS, the Note Purchaser has previously purchased the Class A-1 Notes and the Class A-2 Notes from Folio Funding II, LLC, a Delaware limited liability company (the "ISSUER");

WHEREAS, as a condition precedent to the effectiveness of the Amended and Restated Documents, and subject to certain conditions contained herein, the Guarantor will guarantee the performance of the Issuer of its obligations under the Amended and Restated Documents;

WHEREAS, the Issuer is a direct subsidiary of the Guarantor;

WHEREAS, the Guarantor will obtain substantial direct and indirect benefit from the transactions to be effected under the Amended and Restated Documents, and is willing to provide this Guaranty on the terms and conditions set forth herein; and

WHEREAS, each of the Beneficiaries have entered into the Amended and Restated Documents in reliance upon the benefits of this Guaranty.

NOW, THEREFORE, in consideration of the premises and other consideration, the receipt and sufficiency of which is hereby acknowledged by the Guarantor, the Guarantor hereby agrees as follows:

SECTION 1. Definitions. Capitalized terms used in this Guaranty and not otherwise defined herein have the meanings assigned to them in ANNEX A to the Note Purchase Agreement (as defined below). Whenever used in this Guaranty, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

ADMINISTRATIVE AGENT: Citigroup Financial Products Inc.

AMENDED AND RESTATED DOCUMENTS: The Basic Documents other than this Guaranty and the Warrants.

LIEN: Any security interest, lien (statutory or other), charge, pledge, equity, mortgage, hypothecation, assignment for security or encumbrance of any kind or nature whatsoever.

NOTEHOLDER: Citigroup Financial Products Inc., in its capacity as holder of the Class A-1 Notes and the Class A-2 Notes.

NOTE PURCHASE AGREEMENT: Amended and Restated Note Purchase Agreement, dated as of July 10, 2008 among the Issuer, the Guarantor as Seller, the Note Purchaser and the Administrative Agent.

NOTE PURCHASER: Citigroup Financial Products Inc.

SECTION 2. GUARANTY. The Guarantor hereby irrevocably, absolutely and unconditionally guarantees, as primary obligor, and not merely as surety or guarantor of collection, to the Beneficiaries the full and timely performance of, and compliance with each and every duty, covenant, undertaking, indemnity, agreement and obligation of, the Issuer (the "GUARANTEED PARTY") under each of the Amended and Restated Documents (all of such duties, covenants, undertakings, indemnities, agreements and obligations being hereinafter collectively called the "GUARANTEED LIABILITIES") if, and only if, the Issuer or CPS fails to properly perform any duty, covenant, undertaking, agreement or obligation with respect to the Collateral contained in the Amended and Restated Documents, including, without limitation, duties, covenants, undertakings, agreements or obligations relating to the maintenance and preservation of the Collateral and the Beneficiaries' rights with respect to such Collateral and such failure continues for fifteen (15) Business Days, or such shorter applicable cure period as set forth in the Amended and Restated Documents; PROVIDED, HOWEVER, that Guarantor shall be entitled to assert any defense to performance as if it were the Guaranteed Party under the Amended and Restated Documents. For clarification purposes and the avoidance of doubt, the foregoing guaranty shall not be a guaranty of the Issuer's payment obligations if (a) the Collateral securing the Issuer Secured Obligations does not produce sufficient cash flow or have sufficient market value to satisfy the Issuer Secured Obligations and (b) the Guarantor and the Issuer have at all times properly performed each and every duty, covenant, undertaking, agreement and obligation with respect to the Collateral contained in the Amended and Restated Documents, including, without limitation, all duties, covenants, undertakings, agreements and obligations relating to the maintenance and preservation of the Collateral and the Beneficiaries' rights with respect to such Collateral. In addition to, and without limitation of the foregoing, each of the Guarantor, the Guaranteed Party and the Beneficiaries expressly agree that any breach or threatened breach of any Guaranteed Liability will cause irreparable harm to the Beneficiaries and the Beneficiaries shall be entitled, in addition to any other rights or remedies provided hereunder or otherwise by law or in equity, to injunctive relief, any application for which neither the Guarantor nor the Guaranteed Party shall oppose. The Guarantor further agrees to pay all reasonable costs and expenses (including reasonable attorneys' fees and legal expenses) paid or incurred by any Beneficiary in endeavoring to obtain the performance by the Guaranteed Party of the Guaranteed Liabilities, or any part thereof, and in enforcing this Guaranty.

SECTION 3. CONTINUING GUARANTY; TERM OF AGREEMENT. This Guaranty shall in all respects be a continuing, absolute and unconditional guaranty, and shall terminate upon performance in full of (i) all of the Guaranteed Liabilities and (ii) any and all reasonable expenses paid or incurred by the Beneficiaries in endeavoring to collect the Guaranteed Liabilities and in enforcing this Guaranty. All of the agreements and obligations under this Guaranty shall remain in full force and effect until all such obligations shall have been performed in full and all reasonable expenses shall have been paid in full.

SECTION 4. RESCISSION. The Guarantor further agrees that, if at any time all or any part of any payment theretofore applied by any Beneficiary to any of the Guaranteed Liabilities is or must be rescinded or returned by such Beneficiary for any reason whatsoever, such Guaranteed Liabilities shall, for the purposes of this Guaranty, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by such Beneficiary, and this Guaranty shall continue to be effective or be reinstated, as the case may be, as to such Guaranteed Liabilities, all as though such application by such Beneficiary had not been made.

SECTION 5. SUBROGATION. If the Guarantor shall perform any obligation due in respect of any of the Amended and Restated Documents pursuant to this Guaranty, the Guarantor shall, to the extent permitted under applicable law, be subrogated to the rights of the Beneficiaries in respect of which such performance was made. The Guarantor will not exercise any rights which it may acquire by way of subrogation under this Guaranty until the Amended and Restated Documents shall have been performed. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all of the Guaranteed Liabilities shall not have been performed, such amount shall be held in trust for the benefit of each Beneficiary and shall forthwith be paid to each Beneficiary to be credited and applied against the satisfaction of such obligations in accordance with the terms of the Amended and Restated Documents.

SECTION 6. WAIVER; WAIVER OF DEFENSES. The Guarantor hereby expressly waives: (i) notice of each Beneficiary's acceptance of this Guaranty; (ii) notice of the existence or creation or nonperformance of all or any of the Guaranteed Liabilities; (iii) presentment, demand, demand for payment, notice of dishonor, notice of default or nonperformance, protest, and all other notices whatsoever (provided that nothing contained in this clause (iii) shall affect any obligations to give notice or make demand as set forth in the Amended and Restated Documents); and (iv) all diligence in collection or protection of or realization upon the Guaranteed Liabilities or any thereof, any obligation hereunder, or any security for or guaranty of any of the foregoing. To the fullest extent permitted by applicable law, the Guarantor agrees not to assert, and hereby waives for the benefit of each Beneficiary, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud or fraud in the inducement), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to the Guarantor to avoid performance of its obligations under this Guaranty in accordance with the express provisions of this Guaranty; PROVIDED that the Guarantor shall be entitled to assert as a defense to performance hereunder any defense to performance available as if it were the Guaranteed Party under the respective Amended and Restated Document.

SECTION 7. UNCONDITIONAL NATURE OF GUARANTY. This Guaranty shall constitute a guaranty of performance and not of collection, and the Guarantor specifically agrees that it shall not be necessary, and that the Guarantor shall not be entitled to require, before or as a condition of enforcing the liability of the Guarantor under this Guaranty or requiring performance of the Guaranteed

Liabilities by the Guarantor hereunder, or at any time thereafter, that any Person: (i) file suit or proceed to obtain or assert a claim for personal judgment against the Guaranteed Party or any other Person that may be liable for any Guaranteed Liabilities; (ii) make any other effort to obtain performance of any Guaranteed Liabilities from the Guaranteed Party or any other Person that may be liable for such Guaranteed Liabilities; (iii) foreclose against or seek to realize upon any security now or hereafter existing for such Guaranteed Liabilities; (iv) exercise or assert any other right or remedy to which such Person is or may be entitled in connection with any Guaranteed Liabilities or any security or other guaranty therefor; or (v) assert or file any claim against the assets of the Guaranteed Party or any other Person liable for any Guaranteed Liabilities. Notwithstanding anything herein to the contrary, no provision of this Guaranty shall require the Guarantor to perform, observe or discharge any Guaranteed Liabilities prior to the time such Guaranteed Liabilities are due. Each Beneficiary may in all events pursue its rights under this Guaranty prior to or simultaneously with pursuing its various rights referred to in the Amended and Restated Documents, as such Beneficiary may determine. No action of any Beneficiary permitted hereunder shall in any way affect or impair such Beneficiary's rights or the Guarantor's obligations under this Guaranty. The obligations of the Guarantor shall be continuing and irrevocable, absolute and unconditional, primary, original and immediate and not contingent, irrespective of:

(i) any lack of validity, enforceability, avoidance, subordination, discharge, or disaffirmance by any Person (including a trustee in bankruptcy) of any of the Guaranteed Liabilities under any of the Amended and Restated Documents or any provision thereof;

(ii) any waiver, consent, extension, forbearance or granting of any indulgence or any delay or lack of diligence on the part of any Beneficiary to enforce, assert or exercise any right, power, privilege or remedy conferred on such Beneficiary in any of the Amended and Restated Documents or this Guaranty;

(iii) any change in the time, manner or place of performance or of payment, or in any other term of, all or any of the Guaranteed Liabilities, or any other modification, supplement, amendment or waiver of or any consent to departure from the terms and conditions of any of the Amended and Restated Documents;

(iv) any taking, exchange, release or non-perfection of any collateral or security (including, without limitation, the failure by any Beneficiary to take any steps to perfect and maintain perfected its respective interest in any contract or property acquired by or on behalf of such parties from the Guaranteed Party or any security or collateral related to the Guaranteed Party), or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Liabilities or the acceptance of any security therefor;

(v) any Lien upon or a security interest that any Beneficiary may obtain in any property to secure any of the Guaranteed Liabilities or any obligation hereunder;

(vi) any bankruptcy, suspension of payments, insolvency, sale of assets, winding-up, dissolution, liquidation, receivership or reorganization of, or similar proceedings involving, the Guaranteed Party or its assets or any resulting release or discharge of any of the Guaranteed Liabilities;

(vii) the recovery of any judgment against any Person or any action to enforce the same;

(viii) the application by any Beneficiary (in such order as such Beneficiary shall determine, in its sole discretion) of the payments it receives from the Guarantor with respect to any Guaranteed Liabilities;

(ix) any set-off, counterclaim, deduction, defense, abatement, suspension, deferment, diminution, recoupment, limitation or termination available with respect to any Guaranteed Liabilities and, to the extent permitted by applicable law, irrespective of any other circumstances that might otherwise limit recourse by or against the Guarantor or any other Person;

(x) the obtaining, the amendment or the release of or consent to any departure from the primary or secondary obligation of any other Person, in addition to the Guarantor, with respect to any Guaranteed Liabilities;

(xi) any full or partial release of compromise or settlement with, or agreement not to sue, the Guaranteed Party or any guarantor or other person liable in respect of any Guaranteed Liabilities;

(xii) any manner of application of collateral, or proceeds thereof, to all or any of the Guaranteed Liabilities, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Liabilities or any other assets of the Guaranteed Party or any of its subsidiaries, or any furnishing or acceptance of additional collateral or any release of any existing securities;

(xiii) any change in control or the ownership of each Guaranteed Party, any change, merger, demerger, consolidation, restructuring or termination of the corporate structure or existence of the Guaranteed Party or its subsidiaries;

(xiv) to the fullest extent permitted by applicable Law, any other circumstance which might otherwise constitute a defense available to, or a discharge of, a guarantor or surety with respect to any Guaranteed Liabilities; PROVIDED that the Guarantor shall be entitled to assert as a defense to performance hereunder any defense to performance available as if it were the Guaranteed Party under the Amended and Restated Documents;

(xv) any default, failure or delay, whether as a result of actual or alleged force majeure, commercial impracticability or otherwise, in the performance of the Guaranteed Liabilities, or by any other act or circumstances which may or might in any manner or to any extent vary the risk of the Guarantor, or which would otherwise operate as a discharge of the Guarantor;

(xvi) the existence of any other obligation of the Guarantor, or any limitation thereof, in any of the Amended and Restated Documents, or any legal or equitable discharge or defense of the Guarantor;

(xvii) any regulatory change or other governmental action (whether or not adverse) or other change in applicable law; or

(xviii) the partial performance of the Guaranteed Liabilities (whether as a result of the exercise of any right, remedy, power or privilege or otherwise) or the invalidity of any performance for any reason whatsoever.

This Guaranty shall continue to be effective or be automatically reinstated, as the case may be, if at any time any performance, or any part thereof, of any of the Guaranteed Liabilities is rescinded or must otherwise be restored or returned by any Beneficiary for any reason whatsoever, whether upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Guaranteed Party or otherwise, all as though such payment had not been made.

SECTION 8. INFORMATION. The Guarantor has and will continue to have independent means of obtaining information concerning the Guaranteed Party's affairs, financial condition and business. No Beneficiary shall have any duty or responsibility to provide the Guarantor with any credit or other information concerning the Guaranteed Party's affairs, financial condition or business which may come into such Beneficiary's possession.

SECTION 9. REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants as follows:

(a) ORGANIZATION AND GOOD STANDING. It has been duly organized and is validly existing as a corporation in good standing under the laws of its state of incorporation or formation, with corporate power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted.

(b) DUE QUALIFICATION. It is duly licensed, qualified and authorized to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of its property or the conduct of its business requires such license or qualification, except where the failure to be so qualified would not materially adversely affect its ability to perform its obligations hereunder or render this Guaranty unenforceable.

(c) POWER AND AUTHORITY; DUE AUTHORIZATION. It has (i) all necessary power, authority and legal right to execute, deliver and perform its obligations under this Guaranty and (ii) duly authorized by all necessary corporate action such execution, delivery and performance of this Guaranty.

(d) BINDING OBLIGATIONS. This Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) NO VIOLATION. The execution, delivery and performance of this Guaranty will not (i) conflict with, or result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under (A) the certificate of incorporation or by-laws of the Guarantor or (B) any indenture, lease, loan agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument to which Guarantor is a party or by which it or its property is bound, (ii) result in or require the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, lease, loan agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument or (iii) violate any law, order, rule or regulation applicable to Guarantor of any court or of any federal, state or foreign regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Guarantor or any of its properties, except in the case of clauses (i)(B), (ii) and (iii) above, for such conflicts, breaches, defaults or violations, or the creation or imposition of such Liens, which would not materially adversely affect its ability to perform its obligations hereunder or render this Guaranty unenforceable.

(f) SOLVENCY. The execution, delivery and performance by the Guarantor of this Guaranty will not render the Guarantor insolvent, nor is it being made in contemplation of the Guarantor's insolvency; the Guarantor does not, in its reasonable judgment, have unreasonably small capital for conducting its business as presently contemplated by it.

SECTION 10. SUCCESSORS AND ASSIGNS; AMENDMENT. (a) This Guaranty shall be binding upon the Guarantor and upon the Guarantor's successors and permitted assigns and all references herein to Guarantor shall be deemed to include any successor or successors whether immediate or remote, to such Person. The Guarantor shall not assign or delegate any of its obligations hereunder without the prior written consent of each Beneficiary in each instance.

(a) This Guaranty shall inure to the benefit of each Beneficiary and its respective successors and permitted assigns and all references herein to such Beneficiary shall be deemed to include any successors and permitted assigns of such Beneficiary (whether or not reference in a particular provision is made to such successors and assigns). No Beneficiary may assign any of its rights hereunder without the prior written consent of the Guarantor; PROVIDED, HOWEVER, that each Beneficiary may assign its rights hereunder without the Guarantor's prior written consent to any Person to which it has properly assigned its rights under the applicable Amended and Restated Documents.

(b) No amendment or waiver of any provision of this Guaranty, and no consent to any departure by the Guarantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Guarantor and each Beneficiary and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 11. GOVERNING LAW. THIS GUARANTY SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES. Wherever possible each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty

shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

SECTION 12. CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL. Each Beneficiary may enforce any claim arising out of this Guaranty in any state or federal court having subject matter jurisdiction and located in New York, New York and with respect to any such claim, the Guarantor hereby irrevocably submits to the jurisdiction of such courts. The Guarantor irrevocably consents to the service of process out of said courts by mailing a copy thereof, by registered mail, postage prepaid, to the Guarantor at its address specified in Section 13 hereof, and agrees that such service, to the fullest extent permitted by law, (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall be taken and held to be valid personal service upon and personal delivery to it. Nothing herein contained shall preclude any Beneficiary from bringing an action or proceeding in respect hereof in any other country, state or place having jurisdiction over such action. The Guarantor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court located in New York, New York and any claim that any such suit, action or proceeding brought in such court has been brought in an inconvenient forum. THE GUARANTOR HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS GUARANTY OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS GUARANTY, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

SECTION 13. SET-OFF. The obligations of the Guarantor hereunder are absolute and unconditional and the Guarantor expressly waives any and all rights of set-off, abatement, diminution or deduction that the Guarantor may otherwise at any time have under applicable law. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of such rights, during the continuance of any Event of Default under the Indenture:

(i) each Beneficiary is hereby authorized at any time and from time to time, without notice to the Guarantor, such notice being hereby expressly waived, to set-off any obligation owing by such Beneficiary or any of its Affiliates to the Guarantor, or against any funds or other property of the Guarantor, held by or otherwise in the possession of such Beneficiary or any of its Affiliates, the obligations of the Guarantor to each Beneficiary under this Guaranty and irrespective of whether or not the Guarantor shall have made any demand hereunder or thereunder;

(ii) each Beneficiary is hereby authorized at any time and from time to time, without notice to the Guarantor, such notice being hereby expressly waived, to set-off (a) any obligation owing by such Beneficiary or any of its Affiliates to the Guarantor or (b) against any funds or other property of the Guarantor held by or otherwise in the possession of such Beneficiary or any

of its Affiliates, in each case, the respective obligations of the Guarantor to each Beneficiary under this Guaranty and irrespective of whether or not the such Beneficiary shall have made any demand hereunder or thereunder; and

(iii) without limitation of the foregoing, each Beneficiary and any Affiliate of such Beneficiary is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by such Beneficiary or any of their respective Affiliates to or for the credit or the account of the Guarantor against any and all of the obligations now or hereafter existing whether or not such Beneficiary shall have made any demand under this Guaranty and even though such obligations may be unmatured. Each Beneficiary agrees promptly to notify the Guarantor after any such set-off and application made by such Beneficiary; PROVIDED, HOWEVER, that the failure to give such notice shall not affect the validity of such set-off and application.

The rights of any of the Beneficiaries under this SECTION 13 are in addition to the other rights and remedies (including other rights of set-off) that any of the Beneficiaries may have.

SECTION 14. NOTICES. All notices, demands or requests given pursuant to this Guaranty shall be in writing, sent by overnight courier service, by hand delivery or by email to the following addresses:

To Guarantor: Consumer Portfolio Services, Inc.
16355 Laguna Canyon Road
Irvine, California 92618
Attention: General Counsel
Telephone: (949) 785-6691
Email: mcreatura@consumerportfolio.com

To Citi: Citigroup Financial Products
Inc.,
390 Greenwich Street
New York, NY 10013
Attention: Ari Rosenberg, Managing Director
Telephone: (212) 743-1041
Email: ari.rosenberg@citi.com

Notice shall be effective and deemed received (a) upon receipt of telephonic or written confirmation of receipt of such email, if transmitted by email, or (b) when delivered, if delivered by hand or overnight courier service.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Guaranty has been executed and delivered by Guarantor's duly authorized officer as of the date first written above.

CONSUMER PORTFOLIO SERVICES INC.

By:_____
Name:
Title:

Accepted and Agreed:

CITIGROUP FINANCIAL PRODUCTS INC.,
as Holder of the Class A-1 Notes and the Class A-2 Notes,
as Note Purchaser and as Administrative Agent

By:_____
Name:
Title:

FOLIO FUNDING II, LLC, as Issuer and Guaranteed Party

By:_____
Name:
Title:

EXHIBIT 10.23

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SECURITIES IS EFFECTIVE UNDER THE SECURITIES ACT OR (II) THE TRANSACTION IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, AND, IF THE COMPANY REQUESTS, AN OPINION SATISFACTORY TO THE COMPANY TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.

CONSUMER PORTFOLIO SERVICES, INC.

WARRANT

Warrant No. 1 Dated: July 10, 2008

Consumer Portfolio Services, Inc., a California corporation (the "COMPANY"), hereby certifies that, for value received, Citigroup Global Markets Inc. or its registered assigns (including permitted transferees, the "HOLDER") is entitled to purchase from the Company up to a total of two million five hundred thousand (2,500,000) (as adjusted from time to time as provided in Section 9) Shares (as defined below) (each such share, a "WARRANT SHARE" and all such shares, the "WARRANT SHARES") at an exercise price equal to $0.00001 per share (as adjusted from time to time as provided in Section 9, the "EXERCISE PRICE"), at any time and from time to time commencing on the date hereof (the "INITIAL EXERCISE DATE") through and including July 10, 2018 (the "EXPIRATION DATE"), and subject to the following terms and conditions. This warrant (the "WARRANT") is issued pursuant to that certain Amended and Restated Note Purchase Agreement, dated as of the Original Issue Date (the "AGREEMENT"), by and among Folio Funding II, LLC, a Delaware limited liability company, the Company, as Seller, and Citigroup Financial Products Inc., a Delaware corporation, as the Note Purchaser and the Administrative Agent.

1. DEFINITIONS. The capitalized terms used herein and not otherwise defined herein or in Annex A to the Agreement shall have the meanings set forth below:

"AFFILIATE" of any specified Person means any other person or entity which directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, such specified Person. For purposes of this definition, "CONTROL" as used with respect to any person or entity means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"COMPANY OFFER" means any tender offer (including exchange offer), as amended from time to time, made by the Company or any of its subsidiaries for the purchase (including the acquisition pursuant to an exchange offer) of all or any portion of the outstanding Shares, except as permitted pursuant to Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT").

"ELIGIBLE MARKET" means any of the New York Stock Exchange, the American Stock Exchange or Nasdaq.

"MARKET PRICE" means, as to any security, (i) if the principal trading market for such security is an exchange, the average of the last reported sale prices per share for the last ten previous Trading Days in which a sale was reported, as officially reported on any consolidated tape, (ii) if clause (i) is not applicable, the average of the closing bid price per share for the last five previous Trading Days as set forth by Nasdaq or (iii) if clauses (i) and (ii) are not applicable, the average of the closing bid price per share for the last five previous Trading Days as set forth in the National Quotation Bureau sheet listing for such security. Notwithstanding the foregoing, if there is no reported sales price or closing bid price, as the case may be, on any of the ten Trading Days preceding the event requiring a determination of Market Price hereunder, then the Market Price shall be determined in good faith by resolution of the Board of Directors of the Company, based on the best information available to it.

"NASDAQ" means the Nasdaq Global Market or the Nasdaq Capital Market.

"ORIGINAL ISSUE DATE" means July 10, 2008.

"OTHER SECURITIES" refers to any share capital (other than Shares) and other securities of the Company or any other Person which the Holder of this Warrant at any time shall be entitled to receive, or shall have received, upon the exercise of this Warrant, in lieu of or in addition to Shares, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Shares or Other Securities pursuant to Section 9 hereof or otherwise.

"PERSON" means any individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"REGISTRABLE SECURITIES" means the Warrant Shares; PROVIDED, HOWEVER, that the Warrant Shares shall cease to be Registrable Securities when (i) a Registration Statement with respect to such Warrant Shares shall have been declared effective under the Securities Act and such Warrant Shares shall have been disposed of pursuant to such Registration Statement, (ii) when such Warrant Shares are eligible to be sold to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the Securities Act or (iii) all the Warrant Shares shall have ceased to be outstanding.

"SHARES" means the shares of common stock of the Company, no par value per share.

"TRADING DAY" means any day on which the Shares are listed or quoted and traded on any Eligible Market or any successor market or, if applicable, the National Quotation Bureau or, if none of the foregoing is applicable, a business day in New York City as such term is commonly understood.

"TRANSFER AGENT" shall mean American Stock Transfer & Trust Company or such other Person as the Company may appoint from time to time.

"WARRANT SHARE DELIVERY DATE" shall have the meaning set forth in Section 5.

2. REGISTRATION OF WARRANT. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "WARRANT REGISTER"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. REGISTRATION OF TRANSFERS. The Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto as APPENDIX A duly completed and signed, to the Company at its address specified herein. Upon any such registration and transfer, a new warrant in substantially the form of a Warrant (any such new warrant, a "NEW WARRANT"), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. Each New Warrant evidencing the portion of this Warrant so transferred shall bear the restrictive legend set forth above. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant, and such transferee shall be subject to the restrictions on transfer set forth in such restrictive legend.

4. EXERCISE AND DURATION OF WARRANT.

(a) This Warrant shall be exercisable by the registered Holder at any time and from time to time on and after the Initial Exercise Date to and including the Expiration Date. At 5:00 P.M., New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value, regardless of whether this Warrant shall be returned to the Company.

(b) A Holder may exercise this Warrant by delivering to the Company (i) an exercise notice, in the form attached hereto as APPENDIX B (the "EXERCISE NOTICE"), appropriately completed and duly signed, delivered or by facsimile, PROVIDED that signed originals follow within three Trading Days, and (ii) payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised (as set forth in Section 4(c) below), and the date such items are received by the Company is an "EXERCISE DATE." Execution and delivery of the Exercise Notice shall have the same effect as cancellation of the original Warrant and issuance of a New Warrant evidencing the right to purchase the remaining number of Warrant Shares, if any.

(c) The Holder shall pay the Exercise Price (i) in cash or by wire transfer of immediately available funds in accordance with the Company's instructions or (ii) if at any time the Market Price exceeds the Exercise Price, by means of a "cashless exercise," by presenting and surrendering to the Company this Warrant, in whole or in part, in which event the Company shall issue to the

Holder the number of Warrant Shares determined as follows:

X = Y [(A-B)/A]

where:

X = the number of Warrant Shares to be issued to the Holder upon such cashless exercise;

Y = the number of Warrant Shares with respect to which this Warrant is being exercised;

A = the Market Price on the Exercise Date; and

B = the Exercise Price.

(d) If an exercise of this Warrant is to be made in connection with a registered public offering or sale of the Company, such exercise may, at the election of the Holder, be conditioned on the consummation of the public offering or sale of the Company, in which case such exercise shall not be deemed effective until the consummation of such transaction.

5. DELIVERY OF WARRANT SHARES.

(a) Upon exercise of this Warrant and subject to the receipt of signed originals pursuant to Section 4(b)(i) above, the Company shall promptly, but in no event later than the third Trading Day following such exercise (the "WARRANT SHARE DELIVERY DATE"), issue or cause to be issued and deliver or cause to be delivered to the Holder, in such name or names as the Holder may designate, a certificate for the Warrant Shares issuable upon such exercise bearing (only if such legend is required by applicable law) the restrictive legend set forth above. The Holder, or any Person so designated by the Holder to receive the Warrant Shares, shall be deemed to have become the holder of record of such Warrant Shares as of the Exercise Date.

(b) Certificates evidencing the Warrant Shares shall not contain any legend (including the legend set forth above), (i) while a registration statement covering the resale of such Warrant Shares is effective under the Securities Act, or (ii) following any sale of such Warrant Shares pursuant to Rule 144, or (iii) if such Warrant Shares are eligible for sale under Rule 144 without restriction, or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Securities and Exchange Commission ("SEC")). If all or any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Warrant Shares or at a time when the Warrant Shares so issued may be resold without restriction under Rule 144, such Warrant Shares shall be issued free of all legends. The Company agrees that at such time as such legend is no longer required under this Section 5(b), it will, no later than three Trading Days following the delivery by a purchaser to the Company or the Company's Transfer Agent of a certificate representing Warrant Shares issued with a restrictive legend (such third Trading Day, the "LEGEND REMOVAL DATE"), deliver or cause to

be delivered to such purchaser a certificate representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to any Transfer Agent of the Company that enlarge the restrictions on transfer set forth in this Section 5. Certificates for Warrant Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent of the Company to the purchasers by crediting the account of the purchaser's prime broker with the Depository Trust Company System.

(c) Each purchaser, severally and not jointly with the other purchasers, agrees that the removal of the restrictive legend from certificates representing Warrant Shares as set forth in this Section 5 is predicated upon the Company's reliance that the purchaser will sell any Warrant Shares pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom.

(d) This Warrant is exercisable, either in its entirety or, from time to time, for a portion of the number of Warrant Shares. Upon surrender of this Warrant following one or more partial exercises, the Company shall issue or cause to be issued, at its expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

(e) RESCISSION RIGHTS. If the Company fails to cause its Transfer Agent to transmit to the Holder a certificate or certificates representing the Warrant Shares pursuant to this Section 5(e) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

(f) COMPENSATION FOR BUY-IN ON FAILURE TO TIMELY DELIVER CERTIFICATES UPON EXERCISE. In addition to any other rights available to the Holder, if the Company fails to cause its Transfer Agent to transmit to the Holder a certificate or certificates representing the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) Shares to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "BUY-IN"), then the Company shall (1) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the Shares so purchased exceeds (y) the amount obtained by multiplying (A) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (B) the price at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of Shares that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Shares having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of Shares with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (1) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing Shares upon exercise of the Warrant as required pursuant to the terms hereof.

(g) CLOSING OF BOOKS. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

6. CHARGES, TAXES AND EXPENSES. Issuance and delivery of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; PROVIDED, HOWEVER, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrant in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. REPLACEMENT OF WARRANT. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and in substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company, if any, of such loss, theft or destruction and customary and reasonable indemnity, if requested.

8. RESERVATION OF WARRANT SHARES. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Shares, solely for the purpose of enabling it to issue, upon exercise of this Warrant as herein provided, the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from all taxes, liens, claims and encumbrances, and such Warrant Shares will not be subject to any pre-emptive rights or similar rights (taking into account the adjustments and restrictions of Section 9 hereof). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued, fully paid and nonassessable. The Company covenants and warrants that the issuance of this Warrant or the Warrant Shares shall not trigger any price-based anti-dilution adjustments in any securities issued by the Company or any pre-emptive rights, in each case other than with respect to those securities or rights held by Levine Leichtman Capital Partners IV, L.P. The Company will take all such action as may be necessary to assure that such Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the Shares may be listed or quoted, as the case may be.

9. CERTAIN ADJUSTMENTS. The number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) DIVIDENDS. If the Company, at any time while this Warrant is outstanding, pays a dividend on its Shares payable in additional Shares or otherwise makes a distribution on any class of share capital that is payable in Shares, then in each such case the number of Warrant Shares issuable upon exercise of this Warrant shall be adjusted by multiplying the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such adjustment by a fraction, (A) the numerator of which shall be the number of Shares outstanding immediately after such dividend or distribution and (B) the

denominator of which shall be the number of Shares outstanding immediately prior to the opening of business on the day after the record date for the determination of shareholders entitled to receive such dividend or distribution. Any adjustment made pursuant to this Section 9(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution; PROVIDED, HOWEVER, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, any such adjustment shall become effective as of the time of actual payment of such dividends or distribution.

(b) SHARE SPLITS. If the Company, at any time while this Warrant is outstanding, (i) subdivides outstanding Shares into a larger number of shares, or (ii) combines outstanding Shares into a smaller number of shares, then in each such case the number of Warrant Shares issuable upon exercise of this Warrant shall be adjusted by multiplying the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such adjustment by a fraction, (A) the numerator of which shall be the number of Shares outstanding immediately after such event and (B) the denominator of which shall be the number of Shares outstanding immediately before such event. Any adjustment pursuant to this Section 9(b) shall become effective immediately after the effective date of such subdivision or combination.

(c) RECLASSIFICATIONS. A reclassification of the Shares (other than any such reclassification in connection with a merger or consolidation to which Section 9(e) applies) into shares of any other class of shares shall be deemed:

(i) a distribution by the Company to the holders of its Shares of such shares of such other class of shares for the purposes and within the meaning of this Section 9; and

(ii) (ii) if the outstanding Shares shall be changed into a larger or smaller number of Shares as part of such reclassification, such change shall be deemed a subdivision or combination, as the case may be, of the outstanding Shares for the purposes and within the meaning of Section 9(b).

(d) OTHER DISTRIBUTIONS. If the Company, at any time while this Warrant is outstanding, distributes to holders of Shares (i) evidences of its indebtedness, (ii) any security (other than a distribution of Shares covered by Section 9(a)), (iii) rights or warrants to subscribe for or purchase any security or (iv) any other asset (in each case, "DISTRIBUTED PROPERTY"), then in each such case the number of Warrant Shares issuable upon exercise of this Warrant shall be adjusted by multiplying the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to the record date fixed for determination of shareholders entitled to receive such distribution by a fraction, (A) the numerator of which shall be the Market Price on such record date, and (B) the denominator of which shall be the Market Price on such record date less the then fair market value per share of the Distributed Property distributed in respect of one outstanding Share, which, if the Distributed Property is other than cash or marketable securities, shall be as determined in good faith by the Board of Directors of the Company. Such adjustments shall become effective on the record date for any such distribution.

(e) FUNDAMENTAL TRANSACTIONS. If, at any time while this Warrant is outstanding, (i) the Company effects any merger or consolidation of the Company with or into another Person, (ii) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions or (iii) there shall occur any merger of another Person into the Company whereby the Shares are cancelled, converted or reclassified into or exchanged for other securities, cash or property (in any such case, a "FUNDAMENTAL TRANSACTION"), then, as a condition to the consummation of such Fundamental Transaction, the Company shall (or, in the case of any Fundamental Transaction in which the Company is not the surviving entity, the Company shall take all reasonable steps to cause such other Person to) execute and deliver to each Holder of Warrants a written instrument providing that:

(x) so long as any Warrant remains outstanding on such terms and subject to such conditions as shall be as nearly equivalent as may be practicable to the provisions set forth in this Warrant, each Warrant, upon the exercise thereof at any time on or after the consummation of such Fundamental Transaction, shall be exercisable into, in lieu of Shares issuable upon such exercise prior to such consummation, the securities or other property (the "SUBSTITUTED PROPERTY") that would have been received in connection with such Fundamental Transaction by a holder of the number of Shares into which such Warrant was exercisable immediately prior to the consummation of such Fundamental Transaction, assuming such holder of Shares:

(A) is not a Person with which the Company is consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made, as the case may be (a "CONSTITUENT PERSON"), or an Affiliate of a Constituent Person; and

(B) failed to exercise such Holder's rights of election, if any, as to the kind or amount of securities, cash and other property receivable in connection with such Fundamental Transaction (PROVIDED, HOWEVER, that if the kind or amount of securities, cash or other property receivable in connection with such Fundamental Transaction is not the same for each Ordinary Share held immediately prior to such Fundamental Transaction by a Person other than a Constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised (a "NON-ELECTING SHARE"), then, for the purposes of this Section 9(e), the kind and amount of securities, cash and other property receivable in connection with such Fundamental Transaction by each Non-Electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-Electing Shares); and

(y) the rights and obligations of the Company (or, in the event of a transaction in which the Company is not the surviving Person, such other Person) and the Holders in respect of Substituted Property shall be as nearly equivalent as may be practicable to the rights and obligations of the Company and Holders in respect of Shares hereunder.

Such written instrument shall provide for adjustments which, for events subsequent to the effective date of such written instrument, shall be as nearly equivalent as may be practicable to the adjustments provided for in Section 9. The above provisions of this Section 9(e) shall similarly apply to successive Fundamental Transactions.

(f) CALCULATIONS. All calculations under this Section 9 shall be made to the nearest 1/100th of a share. The number of Shares outstanding at any given time shall not include Shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Shares.

(g) ADJUSTMENTS. Notwithstanding any provision of this Section 9, no adjustment of the number of Warrant Shares issuable upon exercise of this Warrant

shall be required unless and until such adjustment either by itself or with other adjustments not previously made increases or decreases by at least 1% the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to the making of such adjustment. Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment, together with other adjustments required by this Section 9 and not previously made, would result in a minimum adjustment.

(h) NOTICE OF ADJUSTMENTS. Upon the occurrence of each adjustment pursuant to this Section 9, the Company will promptly deliver to the Holder a certificate executed by the Company's Chief Financial Officer setting forth, in reasonable detail, the event requiring such adjustment and the method by which such adjustment was calculated, and the adjusted number or type of Warrant Shares or other securities or assets issuable upon exercise of this Warrant (as applicable). The Company will retain at its office copies of all such certificates and cause the same to be available for inspection at said office during normal business hours by the Holder or any prospective purchaser of the Warrant designated by the Holder.

(i) NOTICE OF CORPORATE EVENTS. If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Shares, including, without limitation, any granting of rights or warrants to subscribe for or purchase any share capital of the Company or any subsidiary of the Company, (ii) authorizes, approves, enters into any agreement contemplating, or solicits shareholder approval for, any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction at least 15 calendar days prior to the applicable record or effective date on which a Person would need to hold Shares in order to participate in or vote with respect to such transaction; PROVIDED, HOWEVER, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

10. REGISTRATION RIGHTS.

(a) The Company will:

(i) as soon as reasonably practicable, but in no event later than thirty (30) days following the date hereof, file a registration statement on Form S-3 or, if unavailable, Form S-1 (the "REGISTRATION STATEMENT"), for an offering to be made on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, registering the resale of the

Warrant Shares by the Holder. The Company shall use commercially reasonable efforts, subject to receipt of necessary information from the Holder, to cause the SEC to declare such Registration Statement effective (i) if the Registration Statement is not subject to SEC review, within the earlier of (x) sixty (60) days of the date hereof and (y) ten (10) days of the date the Company shall have received notice from the SEC of no review and (ii) if the Registration Statement is subject to SEC review, within one hundred twenty (120) days of the date hereof;

(ii) prepare and file with the SEC such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement continuously effective until the earlier of (i) the date that is two and one-half years after the date of effectiveness of the Registration Statement and (ii) until all such Warrant Shares have been sold by the Holder;

(iii) so long as the Registration Statement is effective covering the resale of Warrant Shares, furnish to the Holder such reasonable number of copies of prospectuses and such other documents as the Holder may reasonably request in order to facilitate the public sale or other disposition of all or any of the Warrant Shares;

(iv) use commercially reasonable efforts to file documents required of the Company for normal blue sky clearance in states specified in writing by the Holder; PROVIDED, HOWEVER, that the Company shall not be required to qualify to do business or consent to service of process generally in any jurisdiction in which the Company is not now so qualified or has not so consented;

(v) bear all expenses in connection with the procedures in this Section 10(a) and the registration of the Warrant Shares pursuant to the Registration Statement, other than fees and expenses, if any, of counsel or other advisers to the Holder or, brokerage fees and commissions incurred by the Holder, if any in connection with the offering of the Warrant Shares;

(vi) use all commercially reasonable efforts to prevent the issuance of any stop order or other order suspending the effectiveness of such Registration Statement and, if such an order is issued, to obtain the withdrawal thereof at the earliest possible time and to notify each Holder of the issuance of such order and the resolution thereof; and

(vii) permit counsel for the Holder to review the Registration Statement and all amendments and supplements thereto, and any comments made by the staff of the SEC and the Company's responses thereto, within a reasonable period of time prior to the filing thereof with the SEC (or, in the case of comments made by the staff of the SEC, within a reasonable period of time following the receipt thereof by the Company);

PROVIDED, that in the case of clause (vii) above, the Company shall not be required to provide, and shall not provide, any Holder with material, non-public information unless the Holder agrees to receive such information and enters into a written confidentiality agreement on customary terms with the Company.

(b) If (i) a Registration Statement covering all the Warrant Shares required to be filed by the Company pursuant to this Section 10(b) is (A) not filed with the SEC on or before thirty (30) days after the date hereof or (B) if the Registration Statement is not declared effective by the SEC (1) if

the Registration Statement is not subject to SEC review, on or before the earlier of (x) sixty (60) days after the date hereof and (y) ten (10) days after the date the Company shall have received notice from the SEC of no review and (2) if the Registration Statement is subject to SEC review, on or before one hundred twenty (120) days after the date hereof or (ii) on any day after the effective date of the Registration Statement sales of all the Warrant Shares required to be included on such Registration Statement cannot be made pursuant to such Registration Statement (including, without limitation, because of a failure to keep such Registration Statement effective, to disclose such information as is necessary for sales to be made pursuant to such Registration Statement or to register sufficient number of Warrant Shares), then the Administrative Agent shall have the right to value the Pledged Residual Interest Certificates on a mark-to-market basis pursuant to Section 3.07 of the Agreement.

(c) INDEMNIFICATION BY THE COMPANY. The Company shall, notwithstanding any termination of this Warrant, indemnify and hold harmless each Holder, the officers, directors, members, partners, agents, investment advisors and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, shareholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title)of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "LOSSES"), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or form of prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading, or (2) any violation or alleged violation by the Company of the Securities Act, Exchange Act or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under the Agreement, PROVIDED, HOWEVER, that the Company will not be liable in any such case to the extent that any Losses arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission in the Registration Statement, the prospectus or any amendment or supplement thereto made in reliance upon and in conformity with information regarding the Holder demanding such indemnification or its proposed method of distribution of Registrable Securities furnished in writing to the Company by such Holder expressly for use therein or to the extent that such information relates to such Holder's proposed method of distribution of Registrable Securities and was reviewed and not objected to in writing by such Holder. The Company shall notify the Holders promptly of the institution, threat or assertion of any proceeding ("PROCEEDING") arising from or in connection with the transactions contemplated by the Agreement of which the Company is aware.

(d) INDEMNIFICATION BY HOLDER. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act),

and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, to the extent arising out of or based solely upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any prospectus, or any form of prospectus, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to the Company for inclusion in such Registration Statement or such prospectus. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(e) CONDUCT OF INDEMNIFICATION PROCEEDINGS. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "INDEMNIFIED PARTY"), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the "INDEMNIFYING PARTY") in writing, and the Indemnifying Party shall have the right to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; PROVIDED, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to the Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and counsel to the Indemnified Party shall reasonably believe that a material conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the reasonable fees and expenses of no more than one separate counsel (plus any local counsel) shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

Subject to the terms of the Agreement, all reasonable fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten Trading Days of written notice thereof to the Indemnifying Party; PROVIDED, that the Indemnified Party shall promptly reimburse the Indemnifying Party for that portion of such fees and expenses applicable to such actions for which such Indemnified Party is judicially determined to be not entitled to indemnification hereunder.

(f) CONTRIBUTION. If the indemnification under Section 10(c) or 10(d) is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in the Agreement, any reasonable attorneys' or other fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 10(f) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 10(f), no Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the net proceeds actually received by such Holder from the sale of the Registrable Securities subject to the Proceeding exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, except in the case of fraud by such Holder.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

11. FRACTIONAL SHARES. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section, be issuable upon exercise of this Warrant, the Company shall make a cash payment to the Holder equal to (a) such fraction multiplied by (b) the Market Price on the Exercise Date of one full Warrant Share.

12. RESTRICTED SECURITIES. The Holder represents and warrants that it (i) understands that the Warrant and the Warrant Shares have not been registered under the Securities Act and (ii) understands the restrictions set forth on the legend printed on the face of this Warrant.

13. LISTING ON SECURITIES EXCHANGES. In furtherance and not in limitation of any other provision of this Warrant, if the Company at any time shall list any Shares on any Eligible Market, the Company will, at its expense, simultaneously list the Warrant Shares (and maintain such listing) on such Eligible Market, upon official notice of issuance following the exercise of this Warrant; and the Company will so list, register and maintain such listing on any Eligible Market any Other Securities, if and at the time that any securities of like class or similar type shall be listed on such Eligible Market by the Company.

14. REMEDIES. The Company stipulates that the remedies at law of the Holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate, and that such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

15. NOTICES. Any and all notices or other communications or deliveries hereunder (including, without limitation, any Exercise Notice) shall be in writing and shall be mailed by certified mail, return receipt requested, or by a nationally recognized courier service or delivered (in person or by facsimile), against receipt to the party to whom such notice or other communication is to be given. The address for such notices or communications shall be as set forth in the Agreement entered into by the Holder and the Company. Any notice or other communication given by means permitted by this Section 15 shall be deemed given at the time of receipt thereof.

16. WARRANT AGENT. The Company shall serve as warrant agent under this Warrant. Upon 30 days' written notice to the Holder, the Company may appoint a new warrant agent. Any Person into which any new warrant agent may be merged, any Person resulting from any consolidation to which any new warrant agent shall be a party or any Person to which any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

17. MISCELLANEOUS. (a) This Warrant may be assigned by the Holder. This Warrant may not be assigned by the Company, except to a successor in the event of a Fundamental Transaction. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. This Warrant may be amended only in writing signed by the Company and the Holder and their successors and assigns.

(b) The Company will not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any Warrant Shares above the amount payable therefor upon exercise thereof, (ii) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares on the exercise of this Warrant, free from all taxes, liens, claims and encumbrances and (iii) will not close its shareholder books or records in any manner which interferes with the timely exercise of this Warrant.

(c) This Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York without regard to conflicts of laws principles thereof. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and Federal courts sitting in the City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of the Agreement), and hereby irrevocably waives, and agrees not to assert any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, or that such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. THE PARTIES HEREBY WAIVE ALL RIGHTS TO A TRIAL BY JURY.

(d) Neither party shall be deemed in default of any provision of this Warrant, to the extent that performance of its obligations or attempts to cure a breach hereof are delayed or prevented by any event reasonably beyond the control of such party, including, without limitation, war, hostilities, acts of terrorism, revolution, riot, civil commotion, national emergency, strike, lockout, unavailability of supplies, epidemic, fire, flood, earthquake, force of nature, explosion, embargo, or any other Act of God, or any law, proclamation, regulation, ordinance, or other act or order of any court, government or governmental agency, PROVIDED that such party gives the other party written notice thereof promptly upon discovery thereof and uses reasonable efforts to cure or mitigate the delay or failure to perform.

(e) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(f) In case any one or more of the provisions of this Warrant shall be deemed invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good

faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK,
SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

CONSUMER PORTFOLIO SERVICES, INC.

By:

Name:
Title:

EXHIBIT 31.1

CERTIFICATION

I, Charles E. Bradley, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consumer Portfolio Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2008

/s/ CHARLES E. BRADLEY, JR.
- ----------------------------
Charles E. Bradley, Jr.

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Jeffrey P. Fritz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consumer Portfolio Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2008

/s/ JEFFREY P. FRITZ
- --------------------
Jeffrey P. Fritz, Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Consumer Portfolio Services, Inc. (the "Company") for the quarterly period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Charles E. Bradley, Jr., as Chief Executive Officer of the Company, and Jeffrey P. Fritz, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2008

/s/ CHARLES E. BRADLEY, JR.
- ----------

Charles E. Bradley, Jr.
Chief Executive Officer
- ----------

/s/ JEFFREY P. FRITZ
- ----------

Jeffrey P. Fritz
Chief Financial Officer
- ----------

This certification accompanies each Report pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of ss.18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.