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

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
COMMISSION FILE NUMBER: 1-14116

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

CALIFORNIA	33-0459135
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
16355 LAGUNA CANYON ROAD, IRVINE, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	92618 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (949) 753-6800

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock, No Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

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

The aggregate market value of the 12,103,138 shares of the registrant's common stock held by non-affiliates, based upon the closing price of the registrant's common stock of $4.55 per share reported by Nasdaq as of June 30, 2005, was approximately $55,069,278. For purposes of this computation, a registrant sponsored pension plan and all directors, executive officers, and beneficial owners of 10 percent or more of the registrant's common stock are deemed to be affiliates. Such determination is not an admission that such plan, directors, executive officers, and beneficial owners are, in fact, affiliates of the registrant. The number of shares of the registrant's Common Stock outstanding on March 6, 2006, was 21,729,543.

DOCUMENTS INCORPORATED BY REFERENCE

The proxy statement for registrant's 2006 annual shareholders meeting is incorporated by reference into Part III hereof.

PART I

ITEM 1. BUSINESS

GENERAL

Consumer Portfolio Services, Inc. ("CPS," and together with its subsidiaries, the "Company") is a consumer finance company specializing in purchasing, selling and servicing retail automobile installment purchase contracts ("Contracts") originated by licensed motor vehicle dealers ("Dealers") in the sale of new and used automobiles, light trucks and passenger vans. Through its purchases, the Company provides indirect financing to Dealer customers with limited credit histories, low incomes or past credit problems ("Sub-Prime Customers"). The Company serves as an alternative source of financing for Dealers, allowing sales to customers who otherwise might not be able to obtain financing. The Company does not lend money directly to consumers. Rather, it purchases installment Contracts from Dealers. CPS purchases Contracts under any of several programs (the "CPS Programs") that it offers to Dealers.

CPS was incorporated and began its operations in 1991. From inception through December 31, 2005, the Company has purchased approximately $6.1 billion of Contracts from Dealers. In addition, the Company obtained a total of approximately $605 million of Contracts in its 2002, 2003 and 2004 acquisitions, described below. As of December 31, 2005, the Company had a total managed portfolio, net of unearned interest on pre-computed Contracts, of approximately $1.1 billion, including the remaining outstanding balance of Contracts acquired in the acquisitions and $18.0 million of Contracts serviced for non-affiliated owners of the Contracts.

ACQUISITIONS

In March 2002, the Company acquired MFN Financial Corporation and its subsidiaries in a merger (the "MFN Merger"). In May 2003, the Company acquired TFC Enterprises, Inc. and its subsidiaries in a second merger (the "TFC Merger"). MFN Financial Corporation and its subsidiaries ("MFN") and TFC Enterprises, Inc. and its subsidiaries ("TFC") were engaged in businesses similar to that of the Company; buying Contracts from Dealers, financing those Contracts through securitization transactions, and servicing those Contracts. The Company acquired approximately $380 million of Contracts in the MFN Merger, and approximately $150 million in the TFC Merger. MFN ceased acquiring Contracts in March 2002; TFC continues to acquire Contracts under its "TFC Programs," on terms and conditions similar to those it used prior to the TFC Merger. Contracts purchased by TFC during the year ended December 31, 2005 accounted for less than 5% of the Company's total purchases during the year.

The Company on April 2, 2004 acquired (in the "SeaWest Asset Acquisition") $74.9 million in automotive finance receivables and $3.6 million in other assets from SeaWest Financial Corporation and its subsidiaries (collectively, "SeaWest"). The other assets included a $2.8 million note to an affiliate of SeaWest and certain furniture and equipment. In addition, the Company was appointed the successor servicer of three separate term securitization transactions originally sponsored by SeaWest (the "SeaWest Third Party Portfolio").

SECURITIZATIONS

GENERALLY

Throughout the periods for which information is presented in this report, the Company has purchased Contracts with the intention of repackaging them in securitizations. All such securitizations have involved identification of specific Contracts, sale of those Contracts (and associated rights) to a special purpose subsidiary of the Company, and issuance of asset-backed securities to fund the transactions. Depending on the structure of the securitization, the transaction may be properly accounted for as a sale of the Contracts, or as a secured financing.

When structured to be treated as a secured financing, the subsidiary is consolidated with the Company. Accordingly, the Contracts and the related securitization trust debt appear as assets and liabilities, respectively, of the Company on its Consolidated Balance Sheet. The Company then recognizes interest income on the receivables and interest expense on the securities issued in the securitization and records as expense a provision for probable credit losses on the receivables.

When structured to be treated as a sale, the subsidiary is not consolidated with the Company. Accordingly, the securitization removes the sold Contracts from the Company's Consolidated Balance Sheet, the asset-backed securities (debt of the non-consolidated subsidiary) do not appear as debt of the Company, and the Company shows as an asset a retained residual interest in the sold Contracts. The residual interest represents the discounted value of what the Company expects will be the excess of future collections on the Contracts over principal and interest due on the asset-backed securities and other expenses. That residual interest appears on the Company's Consolidated Balance Sheet as "Residual interest in securitizations," and its value is dependent on estimates of the future performance of the sold Contracts.

CHANGE IN POLICY

Beginning in the third quarter of 2003, the Company began to structure its term secruitization transactions so that they would be treated for financial accounting purposes as borrowings secured by receivables, rather than as sales of receivables. All subsequent term securitizations of such finance receivables have been so structured.

CREDIT RISK RETAINED

Whether a securitization is treated as a secured financing or as a sale for financial accounting purposes, the related special purpose subsidiary may be unable to release excess cash to the Company if the credit performance of the securitized Contracts falls short of pre-determined standards. Such releases represent a material portion of the cash that the Company uses to fund its operations. An unexpected deterioration in the performance of securitized Contracts could therefore have a material adverse effect on both the Company's liquidity and its results of operations, regardless of whether such Contracts are treated as having been sold or as having been financed. For estimation of the magnitude of such risk, it may be appropriate to look to the size of the Company's "managed portfolio," which represents both financed and sold Contracts as to which such credit risk is retained. The Company's managed portfolio as of December 31, 2005 was approximately $1.1 billion (this amount includes $18.0 million related to the SeaWest Third Party Portfolio on which the Company earns only servicing fees and has no credit risk). See "-- Securitization of Contracts," "-- The Servicing Agreements," "--Management's Discussion and Analysis of Financial Condition and Results of Operations," and "--Liquidity and Capital Resources."

THE MARKET WE SERVE

The Company's automobile financing programs are designed to serve customers who generally would not qualify for automobile financing from traditional sources, such as commercial banks, credit unions and the captive finance companies affiliated with major automobile manufacturers. Such customers generally have limited credit histories, low incomes or past credit problems, and are therefore often unable to obtain credit from traditional sources of automobile financing. (The terms "prime" and "sub-prime" reflect the Company's categorization of customers and bear no relationship to the prime rate of interest or persons who are able to borrow at that rate.) Because the Company serves customers who are unable to meet the credit standards imposed by most traditional automobile financing sources, the Company generally receives interest at rates higher than those charged by traditional automobile financing sources. The Company also sustains a higher level of credit losses than traditional automobile financing sources since the Company provides financing in a relatively high risk market.

MARKETING

The Company directs its marketing efforts to Dealers, rather than to consumers. As of December 31, 2005, the Company was a party to its standard form dealer agreements ("Dealer Agreements") with over 7,300 Dealers. Approximately 92% of these Dealers are franchised new car dealers that sell both new and used cars and the remainder are independent used car dealers. For the year ended December 31, 2005, approximately 81% of the Contracts purchased under the CPS Programs consisted of financing for used cars and the remaining 19% for new cars, as compared to 85% used and 15% new in the year ended December 31, 2004.

The Company establishes relationships with Dealers through employee representatives who contact a prospective Dealer to explain the Company's Contract purchase programs, and thereafter provide Dealer training and support services. As of December 31, 2005, the Company had 84 representatives. The representatives are obligated to represent the Company's financing program exclusively. The Company's representatives present the Dealer with a marketing package, which includes the Company's promotional material containing the terms offered by the Company for the purchase of Contracts, a copy of the Company's standard-form Dealer Agreement, and required documentation relating to Contracts. Marketing representatives have no authority relating to the decision to purchase Contracts from Dealers.

Most of the Dealers under contract with CPS regularly submit Contracts to the Company for purchase, although they are under no obligation to submit any Contracts to the Company, nor is the Company obligated to purchase any Contracts. During the year ended December 31, 2005, no Dealer accounted for more than 1% of the total number of Contracts purchased by the Company under the CPS Programs. Contracts purchased by TFC after the TFC Merger under the TFC Programs are purchased with a dealer marketing strategy that is similar to that of CPS as described above except that the marketing efforts are directed at independent used car dealers and the target obligors are enlisted personnel of the U.S. Armed Forces. The following table sets forth the geographical sources of the Contracts purchased by the Company under the CPS Programs (based on the addresses of the customers as stated on the Company's records) during the years ended December 31, 2005 and 2004. Contracts purchased by TFC after the TFC Merger are not included because such purchases accounted for less than 10% of the total purchases during the year. All Contracts are acquired from Dealers located within the United States.

	CONTRACTS PURCHASED DURING THE YEAR ENDED (1)			
	DECEMBER 31, 2005		DECEMBER 31, 2004	
	NUMBER	PERCENT (2)	NUMBER	PERCENT (2)
Texas	4,734	10.7%	3,422	12.1%
California	3,981	9.0%	2,431	8.6%
Ohio	3,311	7.5%	1,437	5.1%
Florida	3,151	7.1%	1,731	6.1%
Pennsylvania	2,732	6.2%	1,676	5.9%
Lousiana	2,268	5.1%	1,949	6.9%
Illinois	2,188	4.9%	1,312	4.6%
North Carolina	2,003	4.5%	1,390	4.9%
Maryland	1,933	4.4%	1,373	4.8%
Kentucky	1,851	4.2%	1,118	3.9%
Michigan	1,883	4.2%	1,121	4.0%
New York	1,617	3.6%	1,102	3.9%
Virginia	1,379	3.1%	1,043	3.7%
Georgia	1,277	2.9%	1,263	4.5%
Other States	10,068	22.7%	6,008	21.2%
Total	44,376	100.0%	28,376	100.0%

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(1) EXCLUDES PURCHASES UNDER THE TFC PROGRAMS.
(2) AMOUNTS MAY NOT TOTAL 100% DUE TO ROUNDING.

ORIGINATION OF CONTRACTS

DEALER ORIGINATION

When a retail automobile buyer elects to obtain financing from a Dealer, the Dealer takes a credit application to submit to its financing sources. Typically, a Dealer will submit the buyer's application to more than one financing source for review. The Company believes the Dealer's decision to choose the Company, rather than other financing sources, is based primarily on the monthly payment that will be offered to the automobile buyer, the purchase price offered for the Contract, the timeliness, consistency and predictability of response, and any conditions to purchase.

Upon receipt of information from a Dealer, the Company's proprietary automated decisioning system orders a credit report to document the buyer's credit history. If, upon review by the automated decisioning systems, or in some cases, a Company credit analyst, it is determined that the Contract meets the Company's underwriting criteria, or would meet such criteria with modification, the Company requests and reviews further information and supporting documentation and, ultimately, decides whether to approve the Contract for purchase. When presented with an application, the Company attempts to notify the Dealer within two hours as to whether it would purchase the related Contract.

The actual agreement for purchase of the vehicle ("Contract") is prepared by the Dealer. The Dealer also arranges for recording the Company's lien on the vehicle. After the appropriate documents are signed by the Dealer and the customer, the Dealer sends the Contract and related supporting documentation to the Company. Upon receipt, the Company performs certain other underwriting and review procedures after which, if all the appropriate criteria are satisfied, the Contract is purchased by the Company.

The Company purchases Contracts under the CPS Programs from Dealers at a price generally equal to the total amount financed under the Contracts, adjusted for an acquisition fee, which may either increase or decrease the Contract purchase price paid by the Company. The amount of the acquisition fee, and whether it results in an increase or decrease to the Contract purchase price, is based on the perceived credit risk and, in some cases, the interest rate on the Contract. For the years ended December 31, 2005, 2004 and 2003, the average acquisition fee charged per Contract purchased under the CPS Programs was $150, $226 and $372, respectively, or 1.0%, 1.6% and 2.7%, respectively, of the amount financed.

The Company attempts to control misrepresentation regarding the customer's credit worthiness by carefully screening the Contracts it purchases, by establishing and maintaining professional business relationships with Dealers, and by including certain representations and warranties by the Dealer in the Dealer Agreement. Pursuant to the Dealer Agreement, the Company may require the Dealer to repurchase any Contract in the event that the Dealer breaches its representations or warranties. There can be no assurance, however, that any Dealer will have the willingness or the financial resources to satisfy its repurchase obligations to the Company.

OBJECTIVE CONTRACT PURCHASE CRITERIA

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

The Company believes that its objective underwriting criteria enable it to evaluate effectively the creditworthiness of Sub-Prime Customers and the adequacy of the financed vehicle as security for a Contract. These criteria include standards for price, term, amount of down payment, installment payment and interest rate; mileage, age and type of vehicle; principal amount of the Contract in relation to the value of the vehicle; customer income level, employment and residence stability, credit history and debt service ability; and other factors. Specifically, the Company's guidelines for the CPS Programs generally limit the maximum principal amount of a purchased Contract to 115% of wholesale book value in the case of used vehicles or to 115% of the manufacturer's invoice in the case of new vehicles, plus, in each case, sales tax, licensing and, when the customer purchases such additional items, a service contract or a credit life or disability policy. The Company does not finance vehicles that are more than eight model years old or have in excess of 85,000 miles. Under most CPS Programs, the maximum term of a purchased Contract is 72 months; a shorter maximum term may be applied based on the mileage of the vehicle, and Contracts with the maximum term of 72 months may be purchased if the customer is among the more creditworthy of CPS's obligors and the vehicle is generally not more than two model years old and has less than 35,000 miles. Contract purchase criteria are subject to change from time to time as circumstances may warrant. Upon receiving this information with the customer's application, the Company's underwriters verify the customer's employment, residency, insurance and credit information provided by the customer by contacting various parties noted on the customer's application, credit information bureaus and other sources. In addition, prior to purchasing a Contract under the CPS Programs, CPS contacts each customer by telephone to confirm that the Customer understands and agrees to the terms of the related Contract.

CREDIT SCORING. Under the CPS Programs, the Company uses a proprietary scoring model to assign to each Contract a "credit score" at the time the application is received from the Dealer and the customer's credit information is retrieved from the credit reporting agencies. The credit score is based on a variety of parameters, such as the customer's employment and residence stability, the customer's income, the monthly payment amount, the loan-to-value ratio and the age and mileage of the vehicle. The Company has developed the credit score as a means of improving its allocation of credit evaluation resources, and managing the risk inherent in the sub-prime market.

CHARACTERISTICS OF CONTRACTS. All of the Contracts purchased by the Company are fully amortizing and provide for level payments over the term of the Contract. The average original principal amount financed, under the CPS Programs and in the year ended December 31, 2005, was $14,875, with an average original term of 62 months and an average down payment amount of 13.4%. Based on information

contained in customer applications, for this 12-month period, the retail purchase price of the related automobiles averaged $15,278 (which excludes tax, license fees, and any additional costs such as a maintenance contract), the average age of the vehicle at the time the Contract was purchased was three years, and CPS customers averaged approximately 38 years of age, with approximately $39,596 in average annual household income and an average of 5.0 years history with his or her current employer.

All Contracts may be prepaid at any time without penalty. In the event a customer elects to prepay a Contract in full, the payoff amount is calculated by deducting the unearned interest from the Contract balance, in the case of a pre-computed Contract, or by adding accrued interest to the Contract balance, in the case of a simple interest Contract, plus, in either case, adding any accrued fees such as late fees.

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

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

SERVICING OF CONTRACTS

GENERAL. The Company's servicing activities consist of mailing monthly billing statements; collecting, accounting for and posting of all payments received; responding to customer inquiries; taking all necessary action to maintain the security interest granted in the financed vehicle or other collateral; investigating delinquencies; communicating with the customer to obtain timely payments; repossessing and liquidating the collateral when necessary; collecting deficiency balances; and generally monitoring each Contract and the related collateral.

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

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

If a customer fails to make or keep promises for payments, or if the customer is uncooperative or attempts to evade contact or hide the vehicle, a supervisor will review the collection activity relating to the account to determine if repossession of the vehicle is warranted. Generally, such a decision will occur between the 45th and 90th day past the customer's payment due date, but could occur sooner or later, depending on the specific circumstances. At the time the vehicle is repossessed the Company will stop accruing interest in this Contract, and reclassify the remaining Contract balance to other assets. In addition the Company will apply a specific reserve to this Contract so that the net balance represents the estimated fair value less costs to sell.

If the Company elects to repossess the vehicle, it assigns the task to an independent local repossession service. Such services are licensed and/or bonded as required by law. When the vehicle is recovered, the repossessor delivers it to a wholesale automobile auction, where it is kept until sold. The Uniform Commercial Code ("UCC") and other state laws regulate repossession sales by requiring that the secured party provide the customer with reasonable notice of the date, time and place of any public sale of the collateral, the date after which any private sale of the collateral may be held and of the customer's right to redeem the financed vehicle prior to any such sale and by providing that any such sale be conducted in a commercially reasonable manner. Financed vehicles that have been repossessed are generally resold by the Company through unaffiliated automobile auctions, which are attended principally by car dealers. Net liquidation proceeds are applied to the customer's outstanding obligation under the Contract. Such proceeds usually are insufficient to pay the customer's obligation in full, resulting in a deficiency.

Under the UCC and other laws applicable in most states, a creditor is entitled to obtain a judgment against a customer for such a deficiency. However, some states impose prohibitions or limitations on deficiency judgments. When obtained, deficiency judgments are entered against defaulting individuals who may have little capital or income. Therefore, in many cases, it may not be useful to seek a deficiency judgment against a customer or, if one is obtained, it may be settled at a significant discount.

Once a Contract becomes greater than 90 days delinquent, the Company does not recognize additional interest income until the borrower under the Contract makes sufficient payments to be less than 90 days delinquent. Any payments received by a borrower that is greater than 90 days delinquent is first applied to accrued interest and then to principal reduction.

CREDIT EXPERIENCE

The Company's financial results are dependent on the performance of the Contracts in which it retains an ownership interest. The tables below document the delinquency, repossession and net credit loss experience of all Contracts that the Company was servicing (excluding Contracts from the SeaWest Third Party Portfolio) as of the respective dates shown. Credit experience for CPS, MFN (since the date of the MFN Merger), TFC (since the date of the TFC Merger) and SeaWest (since the date of the SeaWest Asset Acquisition) is shown on both a combined and individual basis in the tables below.

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

	DECEMBER 31, 2005		DECEMBER 31, 2004		DECEMBER 31, 2003	
	NUMBER OF CONTRACTS	AMOUNT	NUMBER OF CONTRACTS	AMOUNT	NUMBER OF CONTRACTS	AMOUNT
DELINQUENCY EXPERIENCE			(Dollars in thousands)			
Gross servicing portfolio (1)	95,942	$1,117,085	83,018	$ 873,880	84,860	$ 773,220
Period of delinquency (2)						
31-60 days	2,353	24,050	2,106	19,010	2,506	17,982
61-90 days	1,076	10,190	1,069	8,051	1,340	8,942
91+ days	1,056	7,985	1,176	7,758	1,522	9,452
Total delinquencies (2)	4,485	42,225	4,351	34,819	5,368	36,376
Amount in repossession (3)	1,337	13,538	1,408	14,090	1,242	11,751
Total delinquencies and amount in repossession (2)	5,822	$ 55,763	5,759	$ 48,909	6,610	$ 48,127
Delinquencies as a percentage of gross servicing portfolio	4.7 %	3.8 %	5.2 %	4.0 %	6.3 %	4.7 %
Total delinquencies and amount in repossession as a percentage of gross servicing portfolio	6.1 %	5.0 %	6.9 %	5.6 %	7.8 %	6.2 %
EXTENSION EXPERIENCE						
Contracts with One Extension (4)	10,602	$ 95,413	9,661	$ 86,138	10,004	$ 76,617
Contracts with Two or More Extensions (4)	4,575	29,428	4,383	23,659	7,347	34,224
Total Contracts with Extensions	15,177	$ 124,841	14,044	$ 109,797	17,351	$ 110,841

CPS

	DECEMBER 31, 2005		DECEMBER 31, 2004		DECEMBER 31, 2003	
	NUMBER OF CONTRACTS	AMOUNT	NUMBER OF CONTRACTS	AMOUNT	NUMBER OF CONTRACTS	AMOUNT
DELINQUENCY EXPERIENCE			(Dollars in thousands)			
Gross servicing portfolio (1)	83,643	$1,017,273	59,124	$ 706,810	47,615	$ 543,776
Period of delinquency (2)						
31-60 days	1,950	21,949	1,302	14,546	1,175	11,766
61-90 days	798	8,518	520	5,430	657	5,719
91+ days	473	4,807	288	3,139	393	3,105
Total delinquencies (2)	3,221	35,274	2,110	23,115	2,225	20,590
Amount in repossession (3)	1,148	11,676	891	9,929	725	8,434
Total delinquencies and amount in repossession (2)	4,369	$ 46,950	3,001	$ 33,044	2,950	$ 29,024
Delinquencies as a percentage of gross servicing portfolio	3.9 %	3.5 %	3.6 %	3.3 %	4.7 %	3.8 %
Total delinquencies and amount in repossession as a percentage of gross servicing portfolio	5.2 %	4.6 %	5.1 %	4.7 %	6.2 %	5.3 %
EXTENSION EXPERIENCE						
Contracts with One Extension (4)	9,120	$ 87,784	6,226	$ 68,156	4,500	$ 52,997
Contracts with Two or More Extensions (4)	3,247	24,797	1,324	12,963	1,354	9,702
Total Contracts with Extensions	12,367	$ 112,581	7,550	$ 81,119	5,854	$ 62,699

MFN

	DECEMBER 31, 2005		DECEMBER 31, 2004		DECEMBER 31, 2003	
	NUMBER OF CONTRACTS	AMOUNT	NUMBER OF CONTRACTS	AMOUNT	NUMBER OF CONTRACTS	AMOUNT
DELINQUENCY EXPERIENCE			(Dollars in thousands)			
Gross servicing portfolio (1)	1,468	$ 3,036	6,647	$ 18,255	20,282	$ 77,717
Period of delinquency (2)						
31-60 days	98	167	233	457	769	2,128
61-90 days	73	108	175	365	327	843
91+ days	69	112	137	254	227	532
Total delinquencies (2)	240	387	545	1,076	1,323	3,503
Amount in repossession (3)	15	45	111	475	369	1,899
Total delinquencies and amount in repossession (2)	255	$ 432	656	$ 1,551	1,692	$ 5,402
Delinquencies as a percentage of gross servicing portfolio	16.3 %	12.7 %	8.2 %	5.9 %	6.5 %	4.5 %
Total delinquencies and amount in repossession as a percentage of gross servicing portfolio	17.4 %	14.2 %	9.9 %	8.5 %	8.3 %	7.0 %
EXTENSION EXPERIENCE						
Contracts with One Extension (4)	281	$ 531	1,530	$ 4,352	5,197	$ 21,560
Contracts with Two or More Extensions (4)	716	1,469	2,609	8,043	5,707	23,050
Total Contracts with Extensions	997	$ 2,000	4,139	$ 12,395	10,904	$ 44,610

TFC

	DECEMBER 31, 2005		DECEMBER 31, 2004		DECEMBER 31, 2003	
	NUMBER OF CONTRACTS	AMOUNT	NUMBER OF CONTRACTS	AMOUNT	NUMBER OF CONTRACTS	AMOUNT
DELINQUENCY EXPERIENCE			(Dollars in thousands)			
Gross servicing portfolio (1)	7,856	$ 81,016	11,278	$ 107,635	16,963	$ 151,727
Period of delinquency (2)						
31-60 days	190	1,409	342	2,589	562	4,088
61-90 days	140	1,208	226	1,375	356	2,380
91+ days	336	2,295	409	2,225	902	5,815
Total delinquencies (2)	666	4,912	977	6,189	1,820	12,283
Amount in repossession (3)	98	1,191	180	1,977	148	1,418
Total delinquencies and amount in repossession (2)	764	$ 6,103	1,157	$ 8,166	1,968	$ 13,701
Delinquencies as a percentage of gross servicing portfolio	8.5 %	6.1 %	8.7 %	5.8 %	10.7 %	8.1 %
Total delinquencies and amount in repossession as a percentage of gross servicing portfolio	9.7 %	7.5 %	10.3 %	7.6 %	11.6 %	9.0 %
EXTENSION EXPERIENCE						
Contracts with One Extension (4)	424	$ 3,272	446	$ 3,599	307	$ 2,061
Contracts with Two or More Extensions (4)	55	209	114	446	286	1,472
Total Contracts with Extensions	479	$ 3,481	560	$ 4,045	593	$ 3,533

SEAWEST ACQUIRED

	DECEMBER 31, 2005		DECEMBER 31, 2004	
	NUMBER OF CONTRACTS	AMOUNT	NUMBER OF CONTRACTS	AMOUNT
DELINQUENCY EXPERIENCE		(DOLLARS IN THOUSANDS)		
Gross servicing portfolio (1)	2,975	$ 15,758	5,969	$ 41,181
Period of delinquency (2)				
31-60 days	115	525	229	1,418
61-90 days	65	356	148	881
91+ days	178	771	342	2,140
Total delinquencies (2)	358	1,652	719	4,439
Amount in repossession (3)	76	626	226	1,714
Total delinquencies and amount in repossession (2)	434	$ 2,278	945	$ 6,153
Delinquencies as a percentage of gross servicing portfolio	12.0 %	10.5 %	12.1 %	10.8 %
Total delinquencies and amount in repossession as a percentage of gross servicing portfolio	14.6 %	14.5 %	15.8 %	14.9 %
EXTENSION EXPERIENCE				
Contracts with One Extension (4)	777	$ 3,826	1,459	$ 10,031
Contracts with Two or More Extensions (4)	557	2,953	336	2,208
Total Contracts with Extensions	1,334	$ 6,779	1,795	$ 12,239

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(1) ALL AMOUNTS AND PERCENTAGES ARE BASED ON THE AMOUNT REMAINING TO BE REPAID ON EACH CONTRACT, INCLUDING, FOR PRE-COMPUTED CONTRACTS, ANY UNEARNED INTEREST. THE INFORMATION IN THE TABLE REPRESENTS THE GROSS PRINCIPAL AMOUNT OF ALL CONTRACTS PURCHASED BY THE COMPANY, INCLUDING CONTRACTS SUBSEQUENTLY SOLD BY THE COMPANY IN SECURITIZATION TRANSACTIONS THAT IT CONTINUES TO SERVICE. THE TABLE DOES NOT INCLUDE CONTRACTS FROM THE SEAWEST THIRD PARTY PORTFOLIO.
(2) THE COMPANY CONSIDERS A CONTRACT DELINQUENT WHEN AN OBLIGOR FAILS TO MAKE AT LEAST 90% OF A CONTRACTUALLY DUE PAYMENT BY THE FOLLOWING DUE DATE, 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. CONTRACTS LESS THAN 31 DAYS DELINQUENT ARE NOT INCLUDED.
(3) AMOUNT IN REPOSSESSION REPRESENTS THE CONTRACT BALANCE ON FINANCED VEHICLES THAT HAVE BEEN REPOSSESSED BUT NOT YET LIQUIDATED. THIS AMOUNT IS NOT NETTED WITH THE SPECIFIC RESERVE TO ARRIVE AT THE ESTIMATED ASSET VALUE LESS COSTS TO SELL.
(4) THE AGING CATEGORIES SHOWN IN THE TABLES REFLECT THE IMPACT OF EXTENSIONS.

EXTENSIONS

The Company may offer a customer an extension, under which the customer and the Company agree to move past due payments to the end of the Contract term. In such cases the customer must sign an agreement for the extension, and may pay a fee representing partial payment of accrued interest. The Company's policies, and its contractual arrangements for its warehouse and securitization transactions, limit the number of extensions that may be granted. In general, a customer may arrange for an extension no more than once every 12 months, not to exceed four extensions over the life of the Contract.

If a customer is granted such an extension, the date next due is advanced and the Contract is classified as current for delinquency aging purposes. Subsequent delinquency aging classifications would be based on the future payment performance of the Contract.

Included in Total Contracts with Extensions in the tables above, as of December 31, 2005, there were 1,449, five, one, and ten Contracts, in the CPS, MFN, TFC and SeaWest Acquired portfolios respectively, that received extensions as a result of the impact of the hurricanes that took place during August and September of 2005.

NET CHARGE-OFF EXPERIENCE (1)

	YEAR ENDED DECEMBER 31,		
	2005	2004	2003
	(DOLLARS IN THOUSANDS)		
CPS, MFN, TFC and SeaWest Combined			
Average servicing portfolio outstanding	$ 966,295	$ 796,436	$ 674,523
Net charge-offs as a percentage of average servicing portfolio (2)	5.3 %	7.8 %	6.8 %
CPS			
Average servicing portfolio outstanding	$ 856,436	$ 623,639	$ 483,647
Net charge-offs as a percentage of average servicing portfolio (2)	4.9 %	5.7 %	4.7 %
MFN			
Average servicing portfolio outstanding	$ 7,376	$ 38,569	$ 123,140
Net charge-offs as a percentage of average servicing portfolio (2)	(54.8)%	(0.5)%	12.6 %
TFC			
Average servicing portfolio outstanding	$ 77,745	$ 102,467	$ 133,428
Net charge-offs as a percentage of average servicing portfolio (2) (3)	8.4 %	11.9 %	11.3 %
SEAWEST ACQUIRED (4) (5)			
Average servicing portfolio outstanding.....	$ 2,738	$ 54,040	
Net charge-offs as a percentage of average servicing portfolio (2)	26.5 %	37.4 %	

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(1) ALL AMOUNTS AND PERCENTAGES ARE BASED ON THE PRINCIPAL AMOUNT SCHEDULED TO BE PAID ON EACH CONTRACT, NET OF UNEARNED INCOME ON PRE-COMPUTED CONTRACTS. THE INFORMATION IN THE TABLE REPRESENTS ALL CONTRACTS SERVICED BY THE COMPANY (EXCLUDING 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.
(3) TFC CONTRACTS ARE EXPECTED TO CHARGE-OFF AT RATES GREATER THAN CPS. TO PARTIALLY COMPENSATE FOR THIS HIGHER RISK, TFC CONTRACTS ARE PURCHASED WITH A HIGHER ACQUISITION FEE THAN CPS CONTRACTS.
(4) CHARGE-OFF AMOUNTS ARE BEFORE CONSIDERATION OF THE ACQUISITION PURCHASE DISCOUNT.
(5) THE 2004 PERIOD REPRESENTS THE PERIOD MARCH 1, 2004 THROUGH DECEMBER 31, 2004.

SECURITIZATION OF CONTRACTS

The Company purchases Contracts for resale in or to be financed through securitization transactions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and Note 1 of Notes to Consolidated Financial Statements. During 2005, the Company funded such purchases primarily with proceeds from three short-term revolving warehouse lines of credit. As of December 31, 2005, the Company had $350 million in warehouse credit capacity, in the form of a $200 million facility and a $150 million facility. The first facility provides

funding for Contracts purchased under the TFC Programs while both warehouse facilities provide funding for Contracts purchased under the CPS Programs. A third facility in the amount of $125 million, which the Company utilized to fund Contracts under the CPS and TFC Programs, was terminated by the company on June 29, 2005. These facilities are independent of each other. With the two currently existing facilities, two different financial institutions purchase the notes issued by these facilities. Up to 80% of the principal balance of Contracts may be advanced to the Company under these facilities, subject to collateral tests and certain other conditions and covenants. Long-term funding for the purchase of Contracts is achieved by the Company through term securitization transactions, in which the liabilities (the asset-backed securities) are repaid as the underlying Contracts amortize. Proceeds from term securitization transactions are used primarily to repay the warehouse facilities. The Company completed five term securitization transactions in each of 2004 and 2005.

In a securitization, the Company is required to make certain representations and warranties, which are generally similar to the representations and warranties made by Dealers in connection with the Company's purchase of the Contracts. If the Company breaches any of its representations or warranties to a purchaser of the Contracts, the Company will be obligated to repurchase the Contract from such purchaser at a price equal to the principal balance plus accrued and unpaid interest. The Company may then be entitled under the terms of its Dealer Agreement to require the selling Dealer to repurchase the Contract at a price equal to the Company's purchase price, less any principal payments made by the customer. Subject to any recourse against Dealers, the Company will bear the risk of loss on repossession and resale of vehicles under Contracts that it repurchases.

Upon the sale or financing of a portfolio of Contracts in a securitization transaction, generally utilizing a trust that is specifically created for such purpose ("Trust"), the Company retains the obligation to service the Contracts, and receives a monthly fee for doing so. Among other services performed, the Company mails to obligors monthly billing statements directing them to mail payments on the Contracts to a lockbox account. The Company engages an independent lockbox processing agent to retrieve and process payments received in the lockbox account. This results in a daily deposit to the Trust's bank account of the entire amount of each day's lockbox receipts and the simultaneous electronic data transfer to the Company of customer payment data records. Pursuant to the Servicing Agreements, as defined below, the Company is required to deliver monthly reports to the Trust reflecting all transaction activity with respect to the Contracts. The reports contain, among other information, a reconciliation of the change in the aggregate principal balance of the Contracts in the portfolio to the amounts deposited into the Trust's bank account as reflected in the daily reports of the lockbox processing agent.

In its securitization transactions, the Company generally warrants that, to the best of the Company's knowledge, no such liens or claims are pending or threatened with respect to a financed vehicle that may be or become prior to or equal with the lien of the related Contracts. In the event that any of the Company's representations or warranties proves to be incorrect, the Trust would be entitled to require the Company to repurchase the Contract relating to such financed vehicle.

THE SERVICING AGREEMENTS

The Company currently services all Contracts that it owns, as well as those Contracts included in portfolios that it has sold to securitization Trusts. Pursuant to the Company's usual form of servicing agreement (the Company's servicing agreements with purchasers of portfolios of Contracts are collectively referred to as the "Servicing Agreements"), CPS is obligated to service all Contracts sold to the Trusts in accordance with the Company's standard procedures. The Servicing Agreements generally provide that the Company will bear all costs and expenses incurred in connection with the management, administration and collection of the Contracts serviced.

The Company is entitled under most of the Servicing Agreements to receive a base monthly servicing fee between 2.5% and 3.5% per annum computed as a percentage of the declining outstanding principal balance of the non-charged-off Contracts in the pool. Each month, after payment of the Company's base monthly servicing fee and certain other fees, the Trust receives the paid principal reduction of the Contracts in its pool and interest thereon at the fixed rate that was agreed

when the Contracts were sold to the Trust. If, in any month, collections on the Contracts are insufficient to pay such amounts and any principal reduction due to charge-offs, the shortfall is satisfied from the Spread Account established in connection with the sale of the pool. The "Spread Account" is an account established at the time the Company sells a pool of Contracts, to provide security to the Note Insurers, as defined below. If collections on the Contracts exceed such amounts, the excess is utilized, first, to build up or replenish the Spread Account or other credit enhancement to the extent required, second, in certain cases to cover deficiencies in Spread Accounts for other pools, and the balance, if any, constitutes excess cash flows, which are distributed to the Company.

Pursuant to the Servicing Agreements, the Company is generally required to charge off the balance of any Contract by the earlier of the end of the month in which the Contract becomes five scheduled installments past due or, in the case of repossessions, the month that the proceeds from the liquidation of the financed vehicle are received by the Company or if the vehicle has been in repossession inventory for more than 90 days. In the case of repossession, the amount of the charge-off is the difference between the outstanding principal balance of the defaulted Contract and the net repossession sale proceeds. In the event collections on the Contracts are not sufficient to pay to the holders of interests in the Trust ("Noteholders") the entire principal balance of Contracts charged off during the month, the trustee draws on the related Spread Account to pay the Noteholders. The amount drawn would then have to be restored to the Spread Account from future collections on the Contracts remaining in the pool before the Company would again be entitled to receive excess cash. In addition, the Company would not be entitled to receive any further monthly servicing fees with respect to the charged-off Contracts. Subject to any recourse against the Company in the event of a breach of the Company's representations and warranties with respect to any Contracts and after any recourse to any Note Insurer guarantees backing the Notes, as defined below, the Noteholders bear the risk of all charge-offs on the Contracts in excess of the Spread Account. The Noteholders'rights with respect to distributions from the Trusts are senior to the Company's rights. Accordingly, variation in performance of pools of Contracts affects the Company's ultimate realization of value derived from such Contracts.

The Servicing Agreements are terminable by the insurers of certain of the Trust's payment obligations ("Note Insurers") in the event of certain defaults by the Company and under certain other circumstances. Were a Note Insurer in the future to exercise its option to terminate the Servicing Agreements, such a termination would have a material adverse effect on the Company's liquidity and results of operations. The Company continues to receive Servicer extensions on a monthly and/or quarterly basis, pursuant to the Servicing Agreements.

COMPETITION

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

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

GOVERNMENT REGULATION

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

Although the Company believes that it is currently in material compliance with applicable statutes and regulations, there can be no assurance that the Company will be able to maintain such compliance. The past or future failure to comply with such statutes and regulations could have a material adverse effect upon the Company. Furthermore, the adoption of additional statutes and regulations, changes in the interpretation and enforcement of current statutes and regulations or the expansion of the Company's business into jurisdictions that have adopted more stringent regulatory requirements than those in which the Company currently conducts business could have a material adverse effect upon the Company. In addition, due to the consumer-oriented nature of the industry in which the Company operates and the application of certain laws and regulations, industry participants are regularly named as defendants in litigation involving alleged violations of federal and state laws and regulations and consumer law torts, including fraud. Many of these actions involve alleged violations of consumer protection laws. A significant judgment against the Company or within the industry in connection with any such litigation could have a material adverse effect on the Company's financial condition, results of operations or liquidity. See "Legal Proceedings."

EMPLOYEES

As of December 31, 2005, the Company had 742 full-time and 7 part-time employees. The breakdown of the employees is as follows: 6 are senior management personnel, 396 are collections personnel, 153 are Contract origination personnel, 99 are marketing personnel (84 of whom are marketing representatives), 68 are operations and systems personnel, and 27 are administrative personnel. The Company believes that its relations with its employees are good. The Company is not a party to any collective bargaining agreement.

ITEM 1A. RISK FACTORS

WE REQUIRE A SUBSTANTIAL AMOUNT OF CASH TO SERVICE OUR DEBT

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

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

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

WE NEED SUBSTANTIAL LIQUIDITY TO OPERATE OUR BUSINESS

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

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

- acquire motor vehicle contracts;
- fund overcollateralization in warehouse facilities and securitizations;
- pay securitization fees and expenses;
- fund spread accounts in connection with securitizations;
- satisfy working capital requirements and pay operating expenses; and
- pay interest expense.

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

OUR RESULTS OF OPERATIONS WILL DEPEND ON OUR ABILITY TO SECURE AND MAINTAIN CREDIT AND WAREHOUSE FINANCING ON FAVORABLE TERMS.

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

Our primary source of day-to-day liquidity is our warehouse lines of credit, in which we sell or pledge motor vehicle contracts, as often as twice a week, to special-purpose affiliated entities where they are "warehoused" until they are securitized. We depend substantially on two warehouse lines of credit: (i) a $150 million warehouse line of credit, which we opened in November 2005 and, unless earlier terminated upon the occurrence of certain events, will expire in November 2006 and (ii) a $200 million warehouse line of credit, which was executed in June 2004 and, unless earlier terminated upon the occurrence of certain events, will expire in June 2007. Both lines are renewable with the mutual agreement of the parties. These warehouse facilities will remain available to us only if, among other things, we comply with certain financial covenants contained in the documents governing these facilities. These warehouse facilities may not be available to us in the future and we may not be able to obtain other credit facilities on favorable terms to fund our operations.

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

OUR RESULTS OF OPERATIONS WILL DEPEND ON OUR ABILITY TO SECURITIZE OUR PORTFOLIO OF MOTOR VEHICLE CONTRACTS.

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

- market conditions;
- the approval by all parties of the terms of the securitization;
- the availability of credit enhancement on acceptable terms; and
- our ability to acquire a sufficient number of motor vehicle contracts for securitization

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

OUR RESULTS OF OPERATIONS WILL DEPEND ON CASH FLOWS FROM OUR RESIDUAL INTERESTS IN OUR SECURITIZATION PROGRAM AND OUR WAREHOUSE CREDIT FACILITIES.

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

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

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

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

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

IF WE ARE UNABLE TO OBTAIN CREDIT ENHANCEMENT FOR OUR SECURITIZATION PROGRAM OR OUR WAREHOUSE CREDIT FACILITIES UPON FAVORABLE TERMS, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

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

- credit enhancement in any form from financial guaranty insurance companies or any other provider of credit enhancement on acceptable terms; or
- similar ratings for future securitizations.

IF OUR PORTFOLIO OF MOTOR VEHICLE CONTRACTS EXPERIENCES HIGHER LEVELS OF DEFAULTS, DELINQUENCIES OR LOSSES THAN WE ANTICIPATE, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

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

IF THE ECONOMY OF ALL OR CERTAIN REGIONS OF THE UNITED STATES SLOWS OR ENTERS INTO A RECESSION, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

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

IF AN INCREASE IN INTEREST RATES RESULTS IN A DECREASE IN OUR CASH FLOW FROM EXCESS SPREAD, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

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

Several factors affect our ability to manage interest rate risk. Specifically, we are subject to interest rate risk during the period between when motor vehicle contracts are purchased from dealers and when such contracts are sold and financed in a securitization. Interest rates on our warehouse credit facilities are adjustable while the interest rates on the contracts are fixed. Therefore, if interest rates increase, the interest we must pay to the lenders under our warehouse credit facilities is likely to increase while the interest realized by us under those warehoused contracts remains the same, and thus, during the warehousing period, the excess spread cash flow received by us would likely decrease. Additionally, contracts warehoused and then securitized during a rising interest rate environment may result in less excess spread cash flow realized by us under those securitizations as, historically, our securitization facilities pay interest to securityholders on a fixed rate basis set at prevailing interest rates at the time of the closing of the securitization, which may be several months after the contracts securitized were originated and entered the warehouse, while our customers pay fixed rates of interest on the contracts. A decrease in excess spread cash flow could adversely affect our earnings and cash flow.

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

IF WE ARE UNABLE TO SUCCESSFULLY COMPETE WITH OUR COMPETITORS, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

The automobile financing business is highly competitive. We compete with a number of national, local and regional finance companies. In addition, competitors or potential competitors include other types of financial services companies, such as commercial banks, savings and loan associations, leasing companies, credit unions providing retail loan financing and lease financing for new and used vehicles and captive finance companies affiliated with major automobile manufacturers such as General Motors Acceptance Corporation and Ford Motor Credit Corporation. Many of our competitors and potential competitors possess substantially greater financial, marketing, technical, personnel and other resources than we do, including greater access to capital markets for unsecured commercial paper and investment grade rated debt instruments, and to other funding sources which may be unavailable to us. Moreover, our future profitability will be directly related to the availability and cost of our capital relative to that of our competitors. Many of these companies also have long-standing relationships with automobile dealers and may provide other financing to dealers, including floor plan financing for the dealers' purchases of automobiles from manufacturers, which we do not offer. There can be no assurance that we will be able to continue to compete successfully and, as a result, we may not be able to purchase contracts from dealers at a price acceptable to us, which could result in reductions in our revenues or the cash flows available to us.

IF OUR DEALERS DO NOT SUBMIT A SUFFICIENT NUMBER OF SUITABLE MOTOR VEHICLE CONTRACTS TO US FOR PURCHASE, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

We are dependent upon establishing and maintaining relationships with a large number of unaffiliated automobile dealers to supply us with motor vehicle contracts. During the year ended December 31, 2005, no dealer accounted for more than 1.0% of the contracts we purchased. The agreements we have with dealers to purchase contracts do not require dealers to submit a minimum number of contracts for purchase. The failure of dealers to submit contracts that meet our underwriting criteria could result in reductions in our revenues or the cash flows available to us, and, therefore, could have an adverse effect on our results of operations.

IF A SIGNIFICANT NUMBER OF OUR MOTOR VEHICLE CONTRACTS PREPAY OR EXPERIENCE DEFAULTS, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

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

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

The value of our residual interest in the securitized assets in each off-balance sheet securitization reflects our estimate of expected future credit losses and prepayments for the motor vehicle contracts included in that securitization. If actual rates of credit loss or prepayments, or both, on such motor vehicle contracts exceed our estimates, the value of our residual interest

and the related cash flow would be impaired. We periodically review our credit loss and prepayment assumptions relative to the performance of the securitized motor vehicle contracts and to market conditions. Our results of operations and liquidity could be adversely affected if actual credit loss or prepayment levels on securitized motor vehicle contracts substantially exceed anticipated levels. Under certain circumstances, we could be required to record an impairment charge through a reduction to interest income.

THE EFFECTS OF TERRORISM AND MILITARY ACTION MAY IMPAIR OUR RESULTS OF OPERATIONS.

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

IF WE LOSE SERVICING RIGHTS ON OUR PORTFOLIO OF MOTOR VEHICLE CONTRACTS, OUR RESULTS OF OPERATIONS WILL BE IMPAIRED.

The loss of our servicing rights could materially and adversely affect our results of operations, financial condition and cash flows. Our results of operations, financial condition and cash flows, would be materially and adversely affected if any of the following were to occur:

- the loss of our servicing rights under the sale and servicing agreements for our warehouse facilities;
- the loss of our servicing rights under the applicable sale and servicing agreement relating to motor vehicle contracts which we have sold in our securitizations or service on behalf of third parties, including servicing rights acquired from Seawest; or
- the occurrence of certain trigger events under our insurance agreements with financial guaranty insurance companies or with any other credit enhancer in each of our securitizations that would block the release of excess spread cash flows or cash releases from the spread accounts in those securitizations.

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

- our failure generally to observe and perform covenants and agreements applicable to us;
- certain bankruptcy events involving us; or
- the occurrence of certain events of default under the documents governing the facilities.

IF WE LOSE KEY PERSONNEL, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED

Our future operating results depend in significant part upon the continued service of our key senior management personnel, none of whom is bound by an employment agreement. Our future operating results also depend in part upon our ability to attract and retain qualified management, technical, sales and support personnel for our operations. Competition for such personnel is

intense. We cannot assure you that we will be successful in attracting or retaining such personnel. The loss of any key employee, the failure of any key employee to perform in his or her current position or our inability to attract and retain skilled employees, as needed, could materially and adversely affect our results of operations, financial condition and cash flows.

IF WE FAIL TO COMPLY WITH REGULATIONS, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

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

- require us to obtain and maintain certain licenses and qualifications;
- limit the interest rates, fees and other charges we are allowed to charge;
- limit or prescribe certain other terms of our motor vehicle contracts;
- require specific disclosures;
- define our rights to repossess and sell collateral; and
- maintain safeguards designed to protect the security and confidentiality of customer information.

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

- applicable laws and regulations;
- changes in existing laws or regulations;
- changes in the interpretation of existing laws or regulations; or
- any additional laws or regulations that may be enacted in the future.

IF WE EXPERIENCE UNFAVORABLE LITIGATION RESULTS, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

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

While we intend to vigorously defend ourselves against such proceedings, there is a chance that our results of operations, financial condition and cash flows could be materially and adversely affected by unfavorable outcomes.

IF WE EXPERIENCE PROBLEMS WITH OUR ACCOUNTING AND COLLECTION SYSTEMS, OUR RESULTS OF OPERATIONS MAY BE IMPAIRED.

Problems with our in-house receivables accounting and collection systems could materially and adversely affect our collections and cash flows. Any significant failures or defects with our accounting and collection systems could adversely affect our results of operations, financial conditions and cash flows.

WE HAVE SUBSTANTIAL INDEBTEDNESS

We have and will continue to have a substantial amount of indebtedness. At December 31, 2005, we had approximately $1.06 billion of debt outstanding.

Our substantial indebtedness could adversely affect our financial condition by, among other things:

- increasing our vulnerability to general adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations payments on our indebtedness, thereby reducing amounts available for working capital, capital expenditures and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors that have less debt; and
- limiting our ability to borrow additional funds.

Although we believe we will generate sufficient free cash flow to service such debt, there is no assurance that we will be able to do so. If we do not generate sufficient operating profits, our ability to make required payments on our debt may be impaired.

BECAUSE WE ARE SUBJECT TO MANY RESTRICTIONS IN OUR EXISTING CREDIT FACILITIES, OUR ABILITY TO PAY DIVIDENDS MAY BE IMPAIRED.

The terms of our existing credit facilities and our outstanding debt impose significant operating and financial restrictions on us and our subsidiaries and require us to meet certain financial tests. These restrictions may have an adverse impact on our business activities, results of operations and financial condition. These restrictions may also significantly limit or prohibit us from engaging in certain transactions, including the following:

- incurring or guaranteeing additional indebtedness;
- making capital expenditures in excess of agreed upon amounts;
- paying dividends or other distributions to our stockholders or redeeming, repurchasing or retiring our capital stock or subordinated obligations;
- making investments;
- creating or permitting liens on our assets or the assets of our subsidiaries;
- issuing or selling capital stock of our subsidiaries;
- transferring or selling our assets;
- engaging in mergers or consolidations;
- permitting a change of control of our company;
- liquidating, winding up or dissolving our company;
- changing our name or the nature of our business, or the names or nature of the business of our subsidiaries; and
- engaging in transactions with our affiliates outside the normal course of business.

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

FORWARD-LOOKING STATEMENTS

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

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

The risk factors discussed above could cause our actual results to differ materially from those expressed in any forward-looking statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not Applicable

ITEM 2. PROPERTY

The Company's headquarters are located in Irvine, California, where it leases approximately 115,000 square feet of general office space from an unaffiliated lessor. The annual base rent was approximately $1.9 million through October 2003, and increased to $2.1 million for the following five years. In addition to base rent, the Company pays the property taxes, maintenance and other expenses of the premises.

In March 1997, the Company established a branch collection facility in Chesapeake, Virginia. The Company leases approximately 28,000 square feet of general office space in Chesapeake, Virginia, at a base rent that is currently $474,537 per year, increasing to $501,542 over a 10-year term.

The remaining three regional servicing centers occupy a total of approximately 51,000 square feet of leased space in Maitland, Florida; Marietta, Georgia and Hinsdale, Illinois. The termination dates of such leases range from 2007 to 2010.

ITEM 3. LEGAL PROCEEDINGS

STANWICH LITIGATION. CPS was 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 the former chairman of the board of Directors of CPS, is the entity that was obligated to pay the Settlement Payments. Stanwich has 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. At December 31, 2004, CPS was a defendant only in a cross-claim brought by one of the other defendants in the case, Bankers Trust Company, which asserted a claim of contractual indemnity against CPS.

CPS subsequently settled the cross-claim of Bankers Trust by payment of $3.24 million, in February 2005. Pursuant to that settlement, the court has dismissed the cross-claim, with prejudice. The amount paid by the Company was accrued for and included in Accounts payable and accrued expenses in the Company's balance sheet as of December 31, 2004.

In November 2001, one of the defendants in the Stanwich Case, Jonathan Pardee, asserted claims for indemnity against the Company in a separate action, which is now pending in federal district court in Rhode Island. The Company has filed counterclaims in the Rhode Island federal court against Mr. Pardee, and has filed a separate action against Mr. Pardee's Rhode Island attorneys, in the same court. The litigation between Mr. Pardee and CPS is stayed, awaiting resolution of an adversary action brought against Mr. Pardee in the bankruptcy court, which is hearing the bankruptcy of Stanwich.

The reader should consider that an adverse judgment against CPS in the Rhode Island case for indemnification, if in an amount materially in excess of any liability already recorded in respect thereof, could have a material adverse effect.

OTHER LITIGATION. On June 2, 2004, Delmar Coleman filed a lawsuit in the circuit court of Tuscaloosa, Alabama, alleging that plaintiff Coleman was harmed by an alleged failure to refer, in the notice given after repossession of his vehicle, to the right to purchase the vehicle by tender of the full amount owed under the retail installment contract. Plaintiff seeks damages in an unspecified amount, on behalf of a purported nationwide class. CPS removed the case to federal bankruptcy court, and filed a motion for summary judgment as part of its adversary proceeding against the plaintiff in the bankruptcy court. The federal bankruptcy court granted the plaintiff's motion to send the matter back to Alabama state court. CPS has appealed the ruling. Although CPS believes that it has one or more defenses to each of the claims made in this lawsuit, no discovery has yet been conducted and the case is still in its earliest stages. Accordingly, there can be no assurance as to its outcome.

In June 2004, Plaintiff Jeremy Henry filed a lawsuit against the Company in the California Superior Court, San Diego County, alleging improper practices related to the notice given after repossession of a vehicle that he purchased. Plaintiff's motion for a certification of a class has been denied, and is the subject of an appeal now before the California Court of Appeal. Irrespective of the outcome of that appeal, as to which there can be no assurance, the Company has a number of defenses that may be dispositive with respect to the claims of plaintiff Henry.

In August and September 2005, two plaintiffs represented by the same law firm filed substantially identical lawsuits in the federal district court for the northern district of Illinois, each of which purports to be a class action, and each of which alleges that CPS improperly accessed consumer credit information. CPS has reached agreements in principle to settle these cases, which await confirmation by the court.

The Company has recorded a liability as of December 31, 2005 that it believes represents a sufficient allowance for legal contingencies. Any adverse judgment against the Company, if in an amount materially in excess of the recorded liability, could have a material adverse effect on the financial position of the Company.

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

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding the Company's executive officers follows:

CHARLES E. BRADLEY, Jr., 46, has been the President and a director of the Company since its formation in March 1991. In January 1992, Mr. Bradley was appointed Chief Executive Officer of the Company. From March 1991 until December 1995 he served as Vice President and a director of CPS Holdings, Inc. From April 1989 to November 1990, he served as Chief Operating Officer of Barnard and Company, a private investment firm. From September 1987 to March 1989, Mr. Bradley, Jr. was an associate of The Harding Group, a private investment banking firm.

MARK A. CREATURA, 46, has been Senior Vice President - General Counsel since October 1996. From October 1993 through October 1996, he was Vice President and General Counsel at Urethane Technologies, Inc., a polyurethane chemicals formulator. Mr. Creatura was previously engaged in the private practice of law with the Los Angeles law firm of Troy & Gould Professional Corporation, from October 1985 through October 1993.

JEFFREY P. FRITZ, 46, has been Senior Vice President - Accounting since August 2004. He served as a consultant to the Company from May 2004 to August 2004. Previously, he was the Chief Financial Officer of SeaWest Financial Corp. from February 2003 to May 2004, and the Chief Financial Officer of AFCO Auto Finance from April 2002 to February 2003. He practiced public accounting with Glenn M. Gelman & Associates from March 2001 to April 2002 and was Chief Financial Officer of Credit Services Group, Inc. from May 1999 to November 2000. He previously served as the Company's Chief Financial Officer from its inception through May 1999.

CURTIS K. POWELL, 49, has been Senior Vice President - Contract Origination since June 2001. Previously, he was the Company's Senior Vice President - Marketing, from April 1995. He joined the Company in January 1993 as an independent marketing representative until being appointed Regional Vice President of Marketing for Southern California in November 1994. From June 1985 through January 1993, Mr. Powell was in the retail automobile sales and leasing business.

ROBERT E. RIEDL, 42, has been Senior Vice President - Chief Financial Officer since August 2003. Mr. Riedl joined the Company as Senior Vice President - Risk Management in January 2003. Mr. Riedl was a Principal at Northwest Capital Appreciation ("NCA"), a middle market private equity firm, from 2000 to 2002. For a year prior to joining Northwest Capital, Mr. Riedl served as Senior Vice President for one of NCA's portfolio companies, SLP Capital. Mr. Riedl was an investment banker for ContiFinancial Services Corporation from 1995 until joining SLP Capital in 1999.

CHRISTOPHER TERRY, 38, has been Senior Vice President - Asset Recovery since January 2003. He joined the Company in January 1995 as a loan officer, held a series of successively more responsible positions, and was promoted to Vice President - Asset Recovery in June 1999. Mr. Terry was previously a branch manager with Norwest Financial from 1990.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

	HIGH	LOW
January 1 - March 31, 2004	3.96	2.94
April 1 - June 30, 2004	4.97	3.12
July 1 - September 30, 2004	5.21	3.71
October 1 - December 31, 2004	4.87	3.98
January 1 - March 31, 2005	5.50	4.26
April 1 - June 30, 2005	5.38	3.50
July 1 - September 30, 2005	5.45	4.14
October 1 - December 31, 2005	6.50	4.82

As of February 22, 2006, there were 82 holders of record of the Company's Common Stock. To date, the Company has not declared or paid any dividends on its Common Stock. The payment of future dividends, if any, on the Company's Common Stock is within the discretion of the Board of Directors and will depend upon the Company's income, its capital requirements and financial condition, and other relevant factors. The instruments governing the Company's outstanding debt place certain restrictions on the payment of dividends. The Company does not intend to declare any dividends on its Common Stock in the foreseeable future, but instead intends to retain any cash flow for use in the Company's operations.

The table below presents information regarding outstanding options to purchase the Company's Common Stock:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders.....	4,863,654	$3.38	165,261
Equity compensation plans not approved by security holders.....	-	-	-
Total.....	4,863,654	$3.38	165,261

During the year ended December 31, 2005, the Company purchased a total of 198,659 shares of its common stock. The Company's purchases of common stock during the fourth quarter of 2005 are described in the following table:

ISSUER PURCHASES OF EQUITY SECURITIES IN THE FOURTH QUARTER

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
October 2005	35,250	$ 5.84	35,250	$ 5,310,072
November 2005	22,255	6.32	22,255	5,169,508
December 2005	25,401	5.82	25,401	5,021,659
Total	82,906	$ 5.96	82,906	

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(1) EACH MONTHLY PERIOD IS THE CALENDAR MONTH.

(2) THE COMPANY ANNOUNCED IN AUGUST 2000 ITS INTENTION TO PURCHASE UP TO $5 MILLION OF ITS OUTSTANDING SECURITIES, INCLUSIVE OF ANNUAL $1 MILLION SINKING FUND REDEMPTIONS ON ITS RISING INTEREST REDEEMABLE SUBORDINATED SECURITIES DUE 2006. IN OCTOBER 2002, THE AUGUST 2000 PROGRAM HAVING BEEN EXHAUSTED, THE COMPANY'S BOARD OF DIRECTORS AUTHORIZED THE PURCHASE OF UP TO AN ADDITIONAL $5 MILLION OF SUCH SECURITIES, WHICH PROGRAM WAS FIRST ANNOUNCED IN THE COMPANY'S ANNUAL REPORT FOR THE YEAR 2002, FILED ON MARCH 26, 2003. ALL PURCHASES DESCRIBED IN THE TABLE ABOVE WERE UNDER THE PLAN ANNOUNCED IN MARCH 2003, WHICH HAS NO FIXED EXPIRATION DATE.

ON JUNE 30, 2004, THE COMPANY ISSUED 333,333 SHARES OF ITS COMMON STOCK TO JOHN G. POOLE, A DIRECTOR OF THE COMPANY, UPON CONVERSION AT MATURITY, AND PURSUANT TO ITS TERMS, OF A $1,000,000 NOTE HELD BY MR. POOLE SINCE 1998. THE ISSUANCE OF SHARES WAS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933 PURSUANT TO SECTION 3(A)(9) THEREOF, AS THE SHARES WERE ISSUED IN EXCHANGE FOR THE OUTSTANDING NOTE, AND NO COMMISSION WAS PAID FOR SOLICITING SUCH EXCHANGE.

ITEM 6. SELECTED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,				
	2005	2004	2003	2002	2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Statement of Operations Data:					
Net gain on sale of Contracts (1)	$ --	$ --	$ 10,421	$ 21,518	$ 32,765
Interest income	171,834	105,818	58,164	48,644	17,205
Servicing fees	6,647	12,480	17,058	14,621	10,666
Total revenue	193,697	132,692	104,986	98,388	62,576
Operating expenses	190,325	148,580	108,025	98,326	62,256
Income (loss) before extraordinary item (2)	3,372	(15,888)	395	2,996	320
Extraordinary item (3)	--	--	--	17,412	--
Net income (loss)	3,372	(15,888)	395	20,408	320
Basic income (loss) per share before extraordinary item	0.16	(0.75)	0.02	0.15	0.02
Diluted income (loss) per share before extraordinary item	0.14	(0.75)	0.02	0.14	0.02
Basic income (loss) per share, extraordinary item	--	--	--	0.87	--
Diluted income (loss) per share, extraordinary item	--	--	--	0.83	--
Basic income (loss) per share	0.16	(0.75)	0.02	1.03	0.02
Diluted income (loss) per share	0.14	(0.75)	0.02	0.97	0.02

	YEAR ENDED DECEMBER 31,				
	2005	2004	2003	2002	2001
	(IN THOUSANDS)				
Balance Sheet Data:					
Cash and cash equivalents	$ 17,789	$ 14,366	$ 33,209	$ 32,947	$ 2,570
Restricted cash and equivalents	157,662	125,113	67,277	18,912	11,354
Finance receivables, net	913,576	550,191	266,189	84,592	--
Residual interest in securitizations	25,220	50,430	111,702	127,170	106,103
Total assets	1,155,144	766,599	492,470	285,448	151,204
Term debt	1,061,987	675,548	384,622	175,942	82,555
Total liabilities	1,081,555	696,679	410,310	202,874	89,158
Total shareholders' equity	73,589	69,920	82,160	82,574	61,686

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(1) THE DECREASE IN 2003 AND THEREAFTER IS PRIMARILY THE RESULT OF THE CHANGE IN SECURITIZATION STRUCTURE IMPLEMENTED IN THE THIRD QUARTER OF 2003.

(2) RESULTS FOR 2003 AND 2002 INCLUDE A TAX BENEFIT OF $3.4 MILLION AND $2.9 MILLION, RESPECTIVELY.

(3) ON MARCH 8, 2002, CPS ACQUIRED 100% OF MFN FINANCIAL CORPORATION AND SUBSIDIARIES, RESULTING IN THE RECOGNITION OF $17.4 MILLION OF NEGATIVE GOODWILL AS AN EXTRAORDINARY GAIN, WHICH IS REFLECTED IN THE COMPANY'S 2002 CONSOLIDATED STATEMENT OF OPERATIONS.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

OVERVIEW

Consumer Portfolio Services, Inc. ("CPS," and together with its subsidiaries, the "Company") is a consumer finance company which specializes in purchasing, selling and servicing retail automobile installment purchase contracts ("Contracts") originated by licensed motor vehicle dealers ("Dealers") in the sale of new and used automobiles, light trucks and passenger vans. Through its purchases, the Company provides indirect financing to Dealer customers for borrowers with limited credit histories, low incomes or past credit problems ("Sub-Prime Customers"). The Company serves as an alternative source of financing for Dealers, allowing sales to customers who otherwise might not be able to obtain financing. The Company does not lend money directly to consumers. Rather, it purchases installment Contracts from Dealers based on its financing programs (the "CPS Programs").

On March 8, 2002, the Company acquired MFN Financial Corporation and its subsidiaries in a merger (the "MFN Merger"). On May 20, 2003, the Company acquired TFC Enterprises, Inc. and its subsidiaries in a second merger (the "TFC Merger"). Each merger was accounted for as a purchase. MFN Financial Corporation and its subsidiaries ("MFN") and TFC Enterprises, Inc. and its subsidiaries ("TFC") were engaged in businesses similar to that of the Company: buying Contracts from Dealers, financing those Contracts through securitization transactions, and servicing those Contracts. MFN ceased acquiring Contracts in May 2002; TFC continues to acquire Contracts under its "TFC Programs," which provide financing for vehicle purchases exclusively by members of the United States Armed Forces.

On April 2, 2004, the Company purchased (in the "SeaWest Asset Acquisition") a portfolio of Contracts and certain other assets from SeaWest Financial Corporation and its subsidiaries (collectively, "SeaWest"). In addition, the Company was named the successor servicer of three term securitization transactions originally sponsored by SeaWest (the "SeaWest Third Party Portfolio"). The Company does not intend to offer financing programs similar to those previously offered by SeaWest.

From inception through June 2003, the Company generated revenue primarily from the gains recognized on the sale or securitization of Contracts, servicing fees earned on Contracts sold, interest earned on Residuals, as defined below, and interest on finance receivables. Since July 2003, the Company has not recognized any gains from the sale of Contracts. Instead, since July 2003 its revenues have been derived from servicing fees and interest earned on Residuals (for contracts sold prior to July 2003) and interest on finance receivables (for Contracts purchased since July 2003).

SECURITIZATION

GENERALLY

Throughout the periods for which information is presented in this report, the Company has purchased Contracts with the intention of repackaging them in securitizations. All such securitizations have involved identification of specific Contracts, sale of those Contracts (and associated rights) to a special purpose subsidiary of the Company, and issuance of asset-backed securities to fund the transactions. Depending on the structure of the securitization, the transaction may properly be accounted for as a sale of the Contracts, or as a secured financing.

When structured to be treated as a secured financing, the subsidiary is consolidated with the Company. Accordingly, the sold Contracts and the related securitization trust debt appear as assets and liabilities, respectively, of the Company on its Consolidated Balance Sheet. The Company then periodically (i) recognizes interest and fee income on the receivables (ii) recognizes interest expense on the securities issued in the securitization and (iii) records as expense a provision for credit losses on the receivables.

When structured to be treated as a sale, the subsidiary is not consolidated with the Company. Accordingly, the securitization removes the sold Contracts from the Company's Consolidated Balance Sheet, the asset-backed securities (debt of the non-consolidated subsidiary) do not appear as debt of the Company, and the Company shows, as an asset, a retained residual interest in the sold Contracts. The residual interest represents the discounted value of what the Company expects will be the excess of future collections on the Contracts over principal and interest due on the asset-backed securities. That residual interest appears on the Company's Consolidated Balance Sheet as "Residual interest in securitizations," and the determination of its value is dependent on estimates of the future performance of the sold Contracts.

CHANGE IN POLICY

Beginning in the third quarter of 2003, the Company began to structure its term securitization transactions so that they would be treated for financial accounting purposes as borrowings secured by receivables, rather than as sales of receivables. All subsequent term securitizations of such finance receivables have been so structured. Prior to August 2003, the Company had structured its term securitization transactions related to the CPS Programs to be treated as sales for financial accounting purposes. In the MFN Merger and in the TFC Merger the Company acquired finance receivables that had been previously securitized in term securitization transactions that were reflected as secured financings. As of December 31, 2005, the Company's Consolidated Balance Sheet included net finance receivables of approximately $13.9 million and securitization trust debt of $6.6 million related to finance receivables acquired in the two mergers, out of totals of net finance receivables of approximately $913.6 million and securitization trust debt of approximately $924.0 million.

CREDIT RISK RETAINED

Whether a securitization is treated as a secured financing or as a sale for financial accounting purposes, the related special purpose subsidiary may be unable to release excess cash to the Company if the credit performance of the securitized Contracts falls short of pre-determined standards. Such releases represent a material portion of the cash that the Company uses to fund its operations. An unexpected deterioration in the performance of securitized Contracts could therefore have a material adverse effect on both the Company's liquidity and its results of operations, regardless of whether such Contracts are treated as having been sold or as having been financed. For estimation of the magnitude of such risk, it may be appropriate to look to the size of the Company's "managed portfolio," which represents both financed and sold Contracts as to which such credit risk is retained. The Company's managed portfolio as of December 31, 2005 was approximately $1.1 billion (this amount includes $18.0 million related to the SeaWest Third Party Portfolio on which the Company earns only servicing fees and has no credit risk).

CRITICAL ACCOUNTING POLICIES

The Company believes that its accounting policies related to (a) Allowance for Finance Credit Losses, (b) Residual Interest in Securitizations and Gain on Sale of Contracts and (c) Income Taxes are considered to be the most critical to understanding and evaluating the Company's reported financial results. Such policies are described below.

(a) ALLOWANCE FOR FINANCE CREDIT LOSSES

In order to estimate an appropriate allowance for losses to be incurred on finance receivables, the Company uses a loss allowance methodology commonly referred to as "static pooling," which stratifies its finance receivable portfolio into separately identified pools. Using analytical and formula driven techniques, the Company estimates an allowance for finance credit losses, which management believes is adequate for probable credit losses that can be reasonably estimated in its portfolio of finance receivable Contracts. Provision for loss is charged to the Company's 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, the Company's level of provisioning and/or allowance may change as well.

(b) RESIDUAL INTEREST IN SECURITIZATIONS AND GAIN ON SALE OF CONTRACTS

Gain on sale was recognized on the disposition of Contracts either outright or in securitization transactions. In those securitization transactions that were treated as sales for financial accounting purposes, the Company, or a wholly-owned, consolidated subsidiary of the Company, retains a residual interest in the Contracts that were sold to a wholly-owned, unconsolidated special purpose subsidiary. The Company's securitization transactions include "term" securitizations (the purchaser holds the Contracts for substantially their entire term) and "continuous" or "warehouse" securitizations (which finance the acquisition of the Contracts for future sale into term securitizations).

The line item "Residual interest in securitizations" on the Company's Consolidated Balance Sheet represents the residual interests in term securitizations completed prior to July 2003. This line represents the discounted sum of expected future cash flows from these securitization trusts. Accordingly, the valuation of the residual is heavily dependent on estimates of future performance of the Contracts included in the term securitizations.

All subsequent securitizations were structured as secured financings. The warehouse securitizations are accordingly reflected in the line items "Finance receivables" and "Warehouse lines of credit" on the Company's Consolidated Balance Sheet, and the term securitizations are reflected in the line items "Finance receivables" and "Securitization trust debt."

The key economic assumptions used in measuring all residual interests in securitizations as of December 31, 2005 and 2004 are included in the table below. The Company has used an effective pre-tax discount rate of 14% per annum except for certain collections from charged off receivables related to the Company's securitizations in 2001 and later, where the Company has used a discount rate of 25% per annum.

	2005	2004
Prepayment speed (Cumulative).....	22.2% - 35.8%	20.0% - 30.5%
Net credit losses (Cumulative).....	11.9% - 20.2%	13.0% - 20.5%

Key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10% and 20% adverse changes in those assumptions are as follows:

	DECEMBER 31, 2005 (DOLLARS IN THOUSANDS)
Carrying amount/fair value of residual interest in securitizations	$ 25,220
Weighted average life in years	2.24
Prepayment Speed Assumption (Cumulative)	22.2% - 35.8%
Estimated fair value assuming 10% adverse change	$ 25,168
Estimated fair value assuming 20% adverse change	25,119
Expected Net Credit Losses (Cumulative)	11.9% - 20.2%
Estimated fair value assuming 10% adverse change	$ 23,937
Estimated fair value assuming 20% adverse change	22,656
Residual Cash Flows Discount Rate (Annual)	14.0% - 25.0%
Estimated fair value assuming 10% adverse change	$ 24,636
Estimated fair value assuming 20% adverse change	24,071

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on 10% and 20% percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market rates may result in lower prepayments and increased credit losses), which could magnify or counteract the sensitivities.

The Company's securitization structure has generally been as follows:

The Company sells Contracts it acquires to a wholly-owned Special Purpose Subsidiary ("SPS"), which has been established for the limited purpose of buying and reselling the Company's Contracts. The SPS then transfers the same Contracts to another entity, typically a statutory trust ("Trust"). The Trust issues interest-bearing asset-backed securities ("Notes"), in a principal amount equal to or less than the aggregate principal balance of the Contracts. The Company typically sells these Contracts to the Trust at face value and without recourse, except that representations and warranties similar to those provided by the Dealer to the Company are provided by the Company to the Trust. One or more investors purchase the Notes issued by the Trust; the proceeds from the sale of the Notes are then used to purchase the Contracts from the Company. The Company may retain or sell subordinated Notes issued by the Trust or by a related entity. The Company purchases a financial guaranty insurance policy, guaranteeing timely payment of principal and interest on the senior Notes, from an insurance company (a "Note Insurer"). In addition, the Company provides "Credit Enhancement" for the benefit of the Note Insurer and the investors in the form of an initial cash deposit to a bank account ("Spread Account") held by the Trust, in the form of overcollateralization of the Notes, where the principal balance of the Notes issued is less than the principal balance of the Contracts, in the form of subordinated Notes, or some combination of such Credit Enhancements. The agreements governing the securitization transactions (collectively referred to as the "Securitization Agreements") require that the initial level of Credit Enhancement be supplemented by a portion of collections from the Contracts until the level of Credit Enhancement reaches specified levels which are then maintained. The specified levels are generally computed as a percentage of the principal amount remaining unpaid under the related Contracts. The specified levels at which the Credit Enhancement is to be maintained will vary depending on the performance of the portfolios of Contracts held by the Trusts and on other conditions, and may also be varied by agreement among the Company, the SPS, the Note Insurers and the trustee. Such levels have increased and decreased from time to time based on performance of the various portfolios, and have also varied by Securitization Agreement. The Securitization Agreements generally grant the Company the option to repurchase the sold Contracts from the Trust when the aggregate outstanding balance of the Contracts has amortized to a specified percentage of the initial aggregate balance.

The prior securitizations that were treated as sales for financial accounting purposes differ from secured financings in that the Trust to which the SPS sold the Contracts met the definition of a "qualified special purpose entity" under Statement of Financial Accounting Standards No. 140 ("SFAS 140"). As a result, assets and liabilities of the Trust are not consolidated into the Company's Consolidated Balance Sheet.

The Company's warehouse securitization structures were similar to the above, except that (i) the SPS that purchases the Contracts pledges the Contracts to secure promissory notes which it issues, (ii) the promissory notes are in an aggregate principal amount of not more than 80.0% of the aggregate principal balance of the Contracts (that is, at least 20.0% overcollateralization), and (iii) no increase in the required amount of Credit Enhancement is contemplated unless certain portfolio performance tests are breached. During the quarter ended September 30, 2003 the warehouse securitizations related to the CPS Programs were amended to cause the transactions to be treated as secured financings for financial accounting purposes. The Contracts held by the warehouse SPSs and the promissory notes that they issue are therefore included in the Company's Consolidated Financial Statements as of December 31, 2005 and 2004 as assets and liabilities, respectively.

Upon each sale of Contracts in a securitization structured as a secured financing, whether a term securitization or a warehouse securitization, the Company retains on its Consolidated Balance Sheet the Contracts securitized as assets and records the Notes issued in the transaction as indebtedness of the Company.

Under the prior securitizations structured as sales for financial accounting purposes, the Company removed from its Consolidated Balance Sheet the Contracts sold and added to its Consolidated Balance Sheet (i) the cash received, if any, and (ii) the estimated fair value of the ownership interest that the Company retains in Contracts sold in the securitization. That retained or residual interest (the "Residual") consists of (a) the cash held in the Spread Account, if any, (b) overcollateralization, if any, (c) subordinated Notes retained, if any, and (d) receivables from Trust, which include the net interest receivables ("NIRs"). NIRs represent the estimated discounted cash flows to be received from the Trust in the future, net of principal and interest payable with respect to the Notes, and certain expenses. The excess of the cash received and the assets retained by the Company over the carrying value of the Contracts sold, less transaction costs, equals the net gain on sale of Contracts recorded by the Company. Until the maturity of these transactions, the Company's Consolidated Balance Sheet will reflect both securitization transactions structured as sales and others structured as secured financings.

With respect to securitizations structured as sales for financial accounting purposes, the Company allocates its basis in the Contracts between the Notes sold and the Residuals retained based on the relative fair values of those portions on the date of the sale. The Company recognizes gains or losses attributable to the change in the fair value of the Residuals, which are recorded at estimated fair value. The Company is not aware of an active market for the purchase or sale of interests such as the Residuals; accordingly, the Company determines the estimated fair value of the Residuals by discounting the amount of anticipated cash flows that it estimates will be released to the Company in the future (the cash out method), using a discount rate that the Company believes is appropriate for the risks involved. The anticipated cash flows include collections from both current and charged off receivables. The Company has used an effective pre-tax discount rate of 14% per annum except for certain collections from charged off receivables related to the Company's securitizations in 2001 and later where the Company has used a discount rate of 25% per annum.

The Company receives periodic base servicing fees for the servicing and collection of the Contracts. In addition, the Company is entitled to the cash flows from the Trusts that represent collections on the Contracts in excess of the amounts required to pay principal and interest on the Notes, the base servicing fees, and certain other fees (such as trustee and custodial fees). Required principal payments on the notes are generally defined as the payments sufficient to keep the principal balance of the Notes equal to the aggregate principal balance of the related Contracts (excluding those Contracts that have been charged off), or a pre-determined percentage of such balance. Where that percentage is less than 100%, the related Securitization Agreements require accelerated payment of principal until the principal balance of the Notes is reduced to the specified percentage. Such accelerated principal payment is said to create overcollateralization of the Notes.

If the amount of cash required for payment of fees, interest and principal exceeds the amount collected during the collection period, the shortfall is withdrawn from the Spread Account, if any. If the cash collected during the period exceeds the amount necessary for the above allocations, and there is no shortfall in the related Spread Account or other form of Credit Enhancement, the excess is released to the Company, or in certain cases is transferred to other Spread Accounts related to transactions insured by the same Note Insurer that may be below their required levels. If the total Credit Enhancement amount is not at the required level, then the excess cash collected is retained in the Trust until the specified level is achieved. Although Spread Account balances are held by the Trusts on behalf of the Company's SPS as the owner of the Residuals (in the case of securitization transactions structured as sales for financial accounting purposes) or the Trusts (in the case of securitization transactions structured as secured financings for financial accounting purposes), the cash in the Spread Accounts is restricted from use by the Company. Cash held in the various Spread Accounts is invested in high quality, liquid investment securities, as specified in the Securitization Agreements. The interest rate payable on the Contracts is significantly greater than the interest rate on the Notes. As a result, the Residuals described above are a significant asset of the Company. In determining the value of the Residuals, the Company must estimate the future rates of prepayments, delinquencies, defaults, default loss severity, and recovery rates, as all of these factors affect the amount and timing of the estimated cash flows. The Company estimates prepayments by evaluating historical prepayment performance of comparable Contracts. As of December 31, 2005, the Company used prepayment estimates of approximately 22.2% to 35.8% cumulatively over the lives of the related Contracts. The Company estimates defaults and default loss severity using available historical loss data for comparable Contracts and the specific characteristics of the Contracts purchased by the Company. The Company estimates recovery rates of previously charged off receivables using available historical recovery data. In valuing the Residuals as of December 31, 2005, the Company estimates that charge-offs as a percentage of the original principal balance will approximate 15.9% to 26.1% cumulatively over the lives of the related Contracts, with recovery rates approximating 4.0% to 5.9% of the original principal balance.

Following a securitization that is structured as a sale for financial accounting purposes, interest income is recognized on the balance of the Residuals. In addition, the Company will recognize as a gain additional revenue from the Residuals if the actual performance of the Contracts is better than the Company's estimate of the value of the residual. If the actual performance of the Contracts were worse than the Company's estimate, then a downward adjustment to the carrying value of the Residuals and a related impairment charge would be required. In a securitization structured as a secured financing for financial accounting purposes, interest income is recognized when accrued under the terms of the related Contracts and, therefore, presents less potential for fluctuations in performance when compared to the approach used in a transaction structured as a sale for financial accounting purposes.

In all the Company's term securitizations, whether treated as secured financings or as sales, the Company has sold the receivables (through a subsidiary) to the securitization Trust. The difference between the two structures is that in securitizations that are treated as secured financings the Company reports the assets and liabilities of the securitization Trust on its Consolidated Balance Sheet. Under both structures the Noteholders' and the related securitization Trusts' recourse to the Company for failure of the Contract obligors to make payments on a timely basis is limited to the Company's Finance receivables, Spread Accounts and Residuals.

(c) INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return and combined or stand-alone state franchise tax returns for certain states. The Company utilizes the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the future tax consequences attributable to 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. The Company has estimated a valuation allowance against that portion of the deferred tax asset whose utilization in future periods 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 periods in which net operating losses might otherwise expire.

See "Liquidity and Capital Resources" and Note 1 of Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

EFFECTS OF CHANGE IN SECURITIZATION STRUCTURE

The Company's decision in the third quarter of 2003 to structure securitization transactions as borrowings secured by receivables for financial accounting purposes, rather than as sales of receivables, has affected and will affect the way in which the transactions are reported. The major effects are these: (i) the finance receivables are shown as assets of the Company on its balance sheet; (ii) the debt issued in the transactions is shown as indebtedness of the Company; (iii) cash deposited to enhance the credit of the securitization transactions ("Spread Accounts") is shown as "Restricted cash" on the Company's balance sheet; (iv) cash collected from borrowers and other sources related to the receivables prior to making the required payments under the Securitization Agreements is also shown as "Restricted cash" on the Company's balance sheet; (v) the servicing fee that the Company receives in connection with such receivables is recorded as a portion of the interest earned on such receivables in the Company's statements of operations; (vi) the Company has initially and periodically recorded as expense a provision for estimated credit losses on the receivables in the Company's statements of operations; and (vii) of scheduled payments on the receivables and on the debt issued in the transactions, the portion representing interest is recorded as interest income and expense, respectively, in the Company's statements of operations.

These changes collectively represent a deferral of revenue and acceleration of expenses, and thus a more conservative approach to accounting for the Company's operations compared to the previous term securitization transactions, which were accounted for as sales at the consummation of the transaction. The changes have resulted in the Company's initially reporting lower earnings than it would have reported if it had continued to structure its securitizations to require recognition of gain on sale. It should also be noted that growth in the Company's portfolio of receivables would result in an increase in expenses in the form of provision for credit losses, and would initially have a negative effect on net earnings. The Company's cash availability and cash requirements should be unaffected by the change in structure.

Since July 2003, the Company has conducted 10 term securitizations of Contracts originated under the CPS Programs structured as secured financings, generally on a quarterly basis. In March 2004 and November 2005, the Company completed securitizations of its retained interests in other securitizations previously sponsored by the Company and its affiliates. The debt from the March 2004 transaction was repaid in August 2005. In June 2004, the Company completed a term securitization of Contracts purchased in the SeaWest Asset Acquisition and under the TFC Programs. In December 2005, the Company completed a securitization that included Contracts purchased under the TFC Programs, the CPS Programs and Contracts re-acquired by the Company as a result of clean-ups of prior securitizations of its MFN and TFC subsidiaries. Since July 2003, all of the Company's securitizations have been structured as secured financings.

THE YEAR ENDED DECEMBER 31, 2005 COMPARED TO THE YEAR ENDED DECEMBER 31, 2004

REVENUES. During the year ended December 31, 2005, revenues were $193.7 million, an increase of $61.0 million, or 46.0%, from the prior year revenue of $132.7 million. The primary reason for the increase in revenues is an increase in interest income. Interest income for the year ended December 31, 2005 increased $66.0 million, or 62.4%, to $171.8 million in 2005 from $105.8 million in 2004. The primary reason for the increase in interest income is the growth of the finance receivables held by consolidated subsidiaries on the Company's balance sheet. During 2005, the Company purchased $691.3 million of Contracts and increased its balance of receivables held by consolidated subsidiaries to $1.0 billion at December 31, 2005 from $619.8 million at December 31, 2004, an increase of 61.4%. Offsetting the increase in interest income were decreases in the balance of receivables from the SeaWest Acquisitions and the TFC and MFN subsidiaries, which resulted in decreases in interest income of $1.8 million, $2.0 million and $2.6 million, respectively.

Servicing fees totaling $6.6 million in the year ended December 31, 2005 decreased $5.8 million, or 46.7%, from $12.5 million in the same period a year earlier. The decrease in servicing fees is the result of the change in securitization structure and the consequent decline in the Company's managed portfolio held by non-consolidated subsidiaries, and the decrease in the SeaWest Third Party Portfolio. As a result of the decision to structure future securitizations as secured financings, the Company's managed portfolio held by non-consolidated subsidiaries will continue to decline in future periods, and servicing fee revenue is anticipated to decline proportionately. As of December 31, 2005 and 2004, the Company's managed portfolio owned by consolidated vs. non-consolidated subsidiaries and other third parties was as follows:

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Total Managed Portfolio	(Dollars in millions)			
Owned by Consolidated Subsidiaries	$ 1,000.6	89.2%	$ 619.8	68.3%
Owned by Non-Consolidated Subdiaries	103.1	9.2%	233.6	25.8%
SeaWest Third Party Portfolio	18.0	1.6%	53.5	5.9%
Total	$ 1,121.7	100.0%	$ 906.9	100.0%

At December 31, 2005, the Company was generating income and fees on a managed portfolio with an outstanding principal balance approximating $1.1 billion (this amount includes $18.0 million related to the SeaWest Third Party Portfolio on which the Company earns only servicing fees), compared to a managed portfolio with an outstanding principal balance approximating $906.9 million as of December 31, 2004. As the portfolios of Contracts acquired in the MFN Merger and the TFC Merger decrease, the portfolio of Contracts originated under the CPS Programs continues to expand. At December 31, 2005 and 2004, the managed portfolio composition was as follows:

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Originating Entity	(Dollars in millions)			
CPS	$ 1,017.3	90.7%	$ 706.8	77.9%
TFC	68.6	6.1%	89.4	9.9%
MFN	2.5	0.1%	17.8	2.0%
SeaWest	15.3	1.4%	39.4	4.3%
SeaWest Third Party Portfolio	18.0	1.6%	53.5	5.9%
Total	$ 1,121.7	100.0%	$ 906.9	100.0%

Other income increased $822,000, or 5.7%, to $15.2 million during 2005 from $14.4 million in 2004. During 2005, other income included $2.4 million from the sale of charged off receivables acquired in the MFN Merger, the TFC Merger and the SeaWest Asset Acquisition, compared to no such proceeds in 2004. Recoveries on MFN receivables decreased by $3.1 million to $4.9 million in 2005, compared to $8.0 million in 2004. Other income associated with direct mail services

increased by $765,000 to $4.5 million compared to $3.8 million in 2004. These direct mail services are provided to the Company's Dealers and represent direct mail products which consist of customized solicitations targeted to prospective vehicle purchasers, in proximity to the Dealer, who are likely to meet the Company's credit criteria.

EXPENSES. The Company's operating expenses consist primarily of employee costs and other operating expenses, which are incurred as applications and 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 warrants and stock options, and are one of the Company's most significant operating expenses. These costs (other than those relating to stock options) generally fluctuate with the level of applications and Contracts processed and serviced.

Other operating expenses consist primarily of interest expense, provisions for credit losses, facilities expenses, telephone and other communication services, credit services, computer services (including employee costs associated with information technology support), professional services, marketing and advertising expenses, and depreciation and amortization.

Total operating expenses were $190.3 million for 2005, compared to $148.6 million for 2004. The increase is primarily due to a $26.4 million increase, or 81.0% in the provision for credit losses to $59.0 million during the 2005 period as compared to $32.6 million in the 2004 period. Interest expense increased by $19.5 million to $51.7 million from $32.1 million in 2004, an increase of 60.7%. The increase is primarily the result of the amount of securitization trust debt carried on the Company's Consolidated Balance Sheet which increased along with the growth of the Company's portfolio of finance receivables. The increase was somewhat offset by the decrease in securitization trust debt acquired in the MFN Merger and the TFC Merger. For 2005, the provision for credit losses and interest expense represented 31.0% and 27.1%, respectively, of total operating expenses, compared to 21.9% and 21.6% in 2004.

Employee costs increased to $40.4 million, or 5.8% during 2005, representing 21.2% of total operating expenses, from $38.2 million for 2004, or 25.7% of total operating expenses. The decrease as a percentage of total operating expenses reflects the higher total of operating expenses, primarily a result of the increased provision for credit losses and interest expense.

General and administrative expenses increased slightly to $23.1 million, or 12.1% of total operating expenses, in 2005, as compared to $21.3 million, or 14.3% of total operating expenses, in 2004. The decrease as a percentage of total operating expenses reflects the higher operating expenses primarily a result of the increased provision for credit losses and interest expense. During the year ended December 31, 2005, the Company recognized what management believes will be a one-time, non-cash impairment charge of $1.9 million against certain non Finance receivables related assets.

In December 2005, the Compensation Committee of the Board of Directors approved accelerated vesting of all the outstanding stock options issued by the Company. Options to purchase 2,113,998 shares of the Company's 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 the Company's income statement in future periods upon the adoption of Financial Accounting Standards Board Statement No. 123R in January 2006. The Company estimates that approximately $3.5 million of future non-cash compensation expense will be eliminated as a result of the acceleration of vesting.

At the time of the acceleration of vesting, the Company accounted for its stock options in accordance with Accounting Principals Board Opinion No. 25, Accounting for Stock Issued to Employees. Consequently, the acceleration of vesting resulted in non-cash compensation charge of $427,000 for the year ended December 31, 2005.

For 2005, the Company recognized no impairment loss on its residual interest in securitizations compared to $11.8 million in 2004. In 2004, such impairment loss related to the Company's analysis and estimate of the expected ultimate performance of the Company's previously securitized pools that are held by non-consolidated subsidiaries and the residual interest in securitizations. The impairment loss was a result of the actual net loss and prepayment rates exceeding the Company's previous estimates for the Contracts held by non-consolidated subsidiaries.

Marketing expenses increased by $3.7 million, or 43.9%, and represented 6.3% of total operating expenses. The increase is primarily due to the increase in Contracts purchased by the Company during the year ended December 31, 2004.

Occupancy expenses decreased by $120,000, or 3.4%, and represented 1.8% of total operating expenses. The decrease is primarily due to the closure and sub-leasing during 2005 of certain facilities acquired in the MFN Merger and the TFC Merger.

Depreciation and amortization expenses remained essentially unchanged at $790,000 for 2005 and represented 0.4% of total operating expenses.

The Company would have recorded income tax expense of $1.4 million for the year ended December 31, 2005, but the income tax expense was offset primarily by a $1.4 million decrease in the valuation allowance that has been established to offset the Company's deferred tax assets.

THE YEAR ENDED DECEMBER 31, 2004 COMPARED TO THE YEAR ENDED DECEMBER 31, 2003

REVENUES. During the year ended December 31, 2004, revenues were $132.7 million, an increase of $27.7 million, or 26.4%, from the prior year revenue of $105.0 million. The primary reason for the increase in revenues is an increase in interest income. Interest income for the year ended December 31, 2004 increased $47.7 million, or 81.9%, to $105.8 million in 2004 from $58.2 million in 2003. The primary reasons for the increase in interest income are the change in securitization structure implemented during the third quarter of 2003 as described above (an increase of $56.0 million) and the interest income earned on the portfolios of Contracts acquired in the TFC Merger (an increase of $7.2 million) and the SeaWest Asset Acquisition (an increase of $6.1 million). This increase was partially offset by the decline in the balance of the portfolio of Contracts acquired in the MFN Merger (resulting in a decrease of $10.1 million in interest income) and a decrease in residual interest income (a decrease of $11.6 million).

The increase in interest income is offset in part by the elimination of net gain on sale of Contracts revenue and a decrease in servicing fees. As a result of the change in securitization structure, zero net gain on sale of Contracts was recorded in 2004, compared to $10.4 million net gain on sale in the year earlier period.

Servicing fees totaling $12.5 million in the year ended December 31, 2004 decreased $4.6 million, or 26.8%, from $17.1 million in the same period a year earlier. The decrease in servicing fees is the result of the change in securitization structure and the consequent decline in the Company's managed portfolio held by non-consolidated subsidiaries. The decrease was partially offset by the servicing fees earned on the SeaWest Third Party Portfolio, which totaled $2.0 million. As a result of the decision to structure future securitizations as secured financings, the Company's managed portfolio held by non-consolidated subsidiaries will continue to decline in future periods, and servicing fee revenue is anticipated to decline proportionately. As of December 31, 2004 and 2003, the Company's managed portfolio owned by consolidated vs. non-consolidated subsidiaries and other third parties was as follows:

	December 31, 2004		December 31, 2003	
	Amount	%	Amount	%
Total Managed Portfolio	(Dollars in Millions)			
Owned by Consolidated Subsidiaries	$ 619.8	68.3%	$ 315.6	42.6%
Owned by Non-Consolidated Subsidiaries	233.6	25.8%	425.5	57.4%
SeaWest Third Party Portfolio	53.5	5.9%	--	0.0%
Total	$ 906.9	100.0%	$ 741.1	100.0%

At December 31, 2004, the Company was generating income and fees on a managed portfolio with an outstanding principal balance approximating $906.9 million (this amount includes $53.5 million related to the SeaWest Third Party Portfolio on which the Company earns only servicing fees), compared to a managed portfolio with an outstanding principal balance approximating $741.1 million as of December 31, 2003. As the portfolios of Contracts acquired in the MFN Merger and the TFC Merger decrease, the portfolio of Contracts originated under the CPS Programs continues to expand. At December 31, 2004 and 2003, the managed portfolio composition was as follows:

	December 31, 2004		December 31, 2003	
	Amount	%	Amount	%
ORIGINATING ENTITY	(Dollars in Millions)			
CPS	$ 706.8	77.9%	$ 543.8	73.4%
TFC	89.4	9.9%	123.6	16.7%
MFN	17.8	2.0%	73.7	9.9%
SeaWest	39.4	4.3%	--	0.0%
SeaWest Third Party Portfolio	53.5	5.9%	--	0.0%
Total	$ 906.9	100.0%	$ 741.1	100.0%

Other income decreased $4.9 million, or 25.6%, to $14.4 million during 2004 from $19.3 million during 2003. The period over period decrease resulted primarily from a sales tax refund of $3.0 received in 2003 and decreased recoveries on previously charged off MFN Contracts, which were $8.0 million during 2004, compared to $12.2 million for 2003.

EXPENSES. The Company's operating expenses consist primarily of employee costs and other operating expenses, which are incurred as applications and 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 warrants and stock options, and are one of the Company's most significant operating expenses. These costs (other than those relating to stock options) generally fluctuate with the level of applications and Contracts processed and serviced.

Other operating expenses consist primarily of interest expense, provisions for credit losses, facilities expenses, telephone and other communication services, credit services, computer services (including employee costs associated with information technology support), professional services, marketing and advertising expenses, and depreciation and amortization.

Total operating expenses were $148.6 million for 2004, compared to $108.0 million for 2003. The increase is primarily due to a $21.2 million increase in the provision for credit losses to $32.6 million during the 2004 period as compared to $11.4 million in the 2003 period. Increased interest expense was also significant.

Employee costs increased to $38.2 million during 2004, representing 25.7% of total operating expenses, from $37.1 million for 2003, or 34.4% of total operating expenses. The slight increase is primarily the result of staff additions related to increased Contract purchases in 2004 (an increase of $3.9 million). This increase was partially offset by staff reductions since the MFN Merger in 2002 related to the integration and consolidation of certain service and administrative activities and the decline in the balance of the portfolio of Contracts acquired in the MFN Merger (a decrease of $3.2 million). The decrease as a percentage of total operating expenses reflects the higher total of operating expenses, primarily a result of the increased provision for credit losses and interest expense.

General and administrative expenses remained essentially unchanged at $21.3 million, or 14.3% of total operating expenses, in 2004, as compared to $21.3 million, or 19.7% of total operating expenses, in 2003. The decrease as a percentage of total operating expenses reflects the higher operating expenses primarily a result of the provision for credit losses and interest expense.

Interest expense for 2004 increased $8.3 million, or 34.7%, to $32.1 million, compared to $23.9 million in 2003. The increase is primarily the result of changes in the amount and composition of securitization trust debt carried on the Company's Consolidated Balance Sheet. Such debt increased as a result of the change in securitization structure implemented beginning in July 2003, the TFC Merger in May 2003 and the SeaWest Asset Acquisition in April 2004 (a combined increase of approximately $10.3 million), partially offset by the decrease in the balance of the securitization trust debt acquired in the MFN Merger (resulting in a decrease of approximately $2.0 million in interest expense).

Impairment loss increased by $7.7 million, or 190.0%, to $11.8 million in 2004 as compared to $4.1 million in 2003. Such impairment loss relates to the Company's analysis and estimate of the expected ultimate performance of the Company's previously securitized pools that are held by non-consolidated subsidiaries and the residual interest in securitizations. The impairment loss is a result of the actual net loss and prepayment rates exceeding the Company's previous estimates for the Contracts held by non-consolidated subsidiaries.

Marketing expenses increased by $3.0 million, or 55.0%, and represented 5.6% of total operating expenses. The increase is primarily due to the increase in Contracts purchased by the Company during the year ended December 31, 2004.

Occupancy expenses decreased by $410,000, or 10.4%, and represented 2.4% of total operating expenses. The decrease is primarily due to the closure and sub-leasing during 2004 of certain facilities acquired in the MFN Merger and the TFC Merger.

Depreciation and amortization expenses decreased by $215,000, or 21.5%, to $785,000 from $1.0 million.

No income tax benefit was recorded in 2004 as compared to $3.4 million recorded in 2003 periods. The 2003 benefit is primarily the result of the resolution of certain Internal Revenue Service examinations of previously filed MFN tax returns, resulting in a tax benefit of $4.9 million, and other state tax matters resulting in a tax provision of $1.5 million. The Company does not expect any comparable income tax benefit in future periods.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Company's business requires substantial cash to support its purchases of Contracts and other operating activities. The Company's primary sources of cash have been cash flows from operating activities, including proceeds from sales of Contracts, amounts borrowed under various revolving credit facilities (also sometimes known as warehouse credit facilities), servicing fees on portfolios of Contracts previously sold in securitization transactions or serviced for third

parties, customer payments of principal and interest on finance receivables, fees for origination of Contracts, and releases of cash from securitized portfolios of Contracts in which the Company has retained a residual ownership interest and from the Spread Accounts associated with such pools. The Company's primary uses of cash have been the purchases of 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 Accounts and initial overcollateralization, if any, 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 the Company's cash demands. The sufficiency of internally generated cash will depend on the performance of securitized pools (which determines the level of releases from those portfolios and their related Spread Accounts), the rate of expansion or contraction in the Company's managed portfolio, and the terms upon which the Company is able to acquire, sell, and borrow against Contracts.

Net cash provided by operating activities for the years ended December 31, 2005, 2004 and 2003 was $36.7 million, $9.9 million and $98.9 million, respectively. Cash from operating activities is generally provided by the net releases from the Company's securitization Trusts. The increase in 2005 vs. 2004 is due in part to the Company's increased net earnings before the significant increase in the provision for credit losses. The decrease in 2004 vs. 2003 is primarily the result of the Company's decision, in July 2003, to treat all of its future securitizations as secured financings. As a result, 2005 and 2004 include no activity related to Contracts held for sale.

Net cash used in investing activities for the years ended December 31, 2005, 2004 and 2003, was $411.7 million, $314.0 million, and $178.9 million, respectively. Cash used in investing activities has generally related to purchases of Contracts, the cost of the SeaWest Asset Acquisition and the acquisition of TFC. Purchase of finance receivables held for investment were $691.3, $506.0 and $175.3 in 2005, 2004 and 2003, respectively. Cash used in the TFC Merger, net of the cash acquired in the transaction, totaled $10.2 million for the year ended December 31, 2003.

Net cash provided by financing activities for the year ended December 31, 2005, was $378.4 million compared with $285.3 million in 2004 and $80.3 million for the year ended December 31, 2003. Cash used or provided by financing activities is primarily attributable to the issuance or repayment of debt. In connection with the TFC Merger the Company assumed securitization trust debt related to three securitization transactions held by consolidated subsidiaries and assumed additional subordinated debt. With the change in the securitization structure implemented in the third quarter of 2003, $662.4 million of securitization trust debt was issued in 2005 as compared to $474.7 million in 2004 and $154.4 million in 2003.

Contracts are purchased from Dealers for a cash price approximating their principal amount, adjusted for an acquisition fee which may either increase or decrease the Contract purchase price, and generate cash flow over a period of years. As a result, the Company has been dependent on warehouse credit facilities to purchase Contracts, and on the availability of cash from outside sources in order to finance its continuing operations, as well as to fund the portion of Contract purchase prices not financed under revolving warehouse credit facilities. As of December 31, 2005, the Company had $350 million in warehouse credit capacity, in the form of a $200 million facility and a $150 million facility. The first facility provides funding for Contracts purchased under the TFC Programs while both warehouse facilities provide funding for Contracts purchased under the CPS Programs. A third facility in the amount of $125 million, which the Company utilized to fund Contracts under the CPS and TFC Programs, was terminated by the Company on June 29, 2005.

The $150 million warehouse facility is structured to allow CPS to fund a portion of the purchase price of Contracts by drawing against a floating rate variable funding note issued by its consolidated subsidiary Page Three Funding, LLC. This facility was established on November 15, 2005, and expires on November 14, 2006, although it is renewable with the mutual agreement of the parties. Up to 80% of the principal balance of Contracts may be advanced to the Company under this facility, subject to collateral tests and certain other conditions and covenants. Notes under this facility accrue interest at a rate of one-month LIBOR plus 2.00% per annum. At December 31, 2005, $34.5 million was outstanding under this facility.

The $200 million warehouse facility is similarly structured to allow CPS to fund a portion of the purchase price of Contracts by drawing against a floating rate variable funding note issued by its 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 Contracts purchased under the TFC Programs. It was increased again to $200 million on August 31, 2005. Approximately 77.0% of the principal balance of Contracts may be advanced to the Company under this facility, subject to collateral tests and certain other conditions and covenants. Notes under this facility accrue interest at a rate of one-month LIBOR plus 1.50% per annum. The lender has annual termination options at its sole discretion on each June 30 through 2007, at which time the agreement expires. At December 31, 2005, $836,000 was outstanding under this facility, compared to zero at December 31, 2004.

The $125 million warehouse facility was structured to allow the Company to fund a portion of the purchase price of Contracts by drawing against a floating rate variable funding note issued by its consolidated subsidiary CPS Warehouse Trust. This facility was established on March 7, 2002, and the maximum amount was increased to $125 million in November 2002. Up to 73.0% of the principal balance of Contracts could have been advanced to the Company under this facility bore interest at a rate of one-month commercial paper plus 1.50% per annum. This facility was due to expire on April 11, 2006, but the Company elected to terminate it on it June 29, 2005. At December 31, 2004, $34.3 million was outstanding under this facility.

The Company securitized $674.4 million of Contracts in five private placement transactions during the year ended December 31, 2005 compared to $463.9 million in five private placements during 2004. All of these transactions were structured as secured financings and, therefore, resulted in no gain on sale. During the year ended December 31, 2003, the Company securitized $416.9 million of Contracts in four private placement transactions. The first two such transactions of 2003 were structured as sales for financial accounting purposes, resulting in a gain on sale of $6.4 million (net of a negative fair value adjustment of $4.1 million related to the performance of previously securitized pools). The final two transactions of 2003 were structured as secured financings and, therefore, resulted in no gain on sale. In March 2004, a wholly-owned bankruptcy remote consolidated subsidiary of the Company issued $44 million of asset-backed notes secured by its retained interest in eight term securitization transactions. The notes had an interest rate of 10% per annum and a final maturity in October 2009 and were required to be repaid from the distributions on the underlying retained interests. In connection with the issuance of the notes, the Company incurred and capitalized issuance costs of $1.3 million. The Company repaid the notes in full in August 2005. In November 2005, the Company completed a similar securitization whereby a wholly-owned bankruptcy remote consolidated subsidiary of the Company issued $45.8 million of asset-backed notes secured by its retained interest in 10 term securitization transactions. These notes, which bear interest at a blended interest rate of 8.36% per annum and have a final maturity in July 2011, are required to be repaid from the distributions on the underlying retained interests. In connection with the issuance of the notes, the Company incurred and capitalized issuance costs of $915,000.

For the portfolio owned by non-consolidated subsidiaries, cash used to increase Credit Enhancement amounts to required levels for the years ended December 31, 2005, 2004 and 2003 was zero, $2.9 million, $20.9 million, respectively. Cash released from Trusts and their related Spread Accounts to the Company related to the portfolio owned by consolidated subsidiaries for the years ended December 31, 2005, 2004 and 2003 was $23.1 million, $21.4 million and $25.9 million, respectively. Changes in the amount of Credit Enhancement required for term securitization transactions and releases from Trusts and their related Spread Accounts are affected by the relative size, seasoning and performance of the various pools of Contracts securitized that make up the Company's managed portfolio to which the respective Spread Accounts are related. During the years ended December 31, 2005 and December 31, 2004 the Company made no initial deposits to Spread Accounts and funded no initial overcollateralization related to its term securitization transactions owned by non-consolidated subsidiaries, compared to $18.7 million in 2003. The acquisition of Contracts for subsequent sale in securitization transactions, and the need to fund 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 the Company's Contract purchases, the required level of initial Credit Enhancement in securitizations, and the extent to which the previously established Trusts and their related Spread Accounts either release cash to the Company or capture cash from collections on securitized Contracts. The Company is currently limited in its ability to

purchase Contracts due to certain liquidity constraints. As of December 31, 2005, the Company had cash on hand of $17.8 million and available Contract purchase commitments from its warehouse credit facilities of $314.6 million. The Company's plans to manage the need for liquidity include the completion of additional term securitizations that would provide additional credit availability from the warehouse credit facilities, and matching its levels of Contract purchases to its availability of cash. There can be no assurance that the Company will be able to complete term securitizations on favorable economic terms or that the Company will be able to complete term securitizations at all. If the Company is unable to complete such securitizations, interest income and other portfolio related income would decrease.

The Company's primary means of ensuring that its cash demands do not exceed its cash resources is to match its levels of Contract purchases to its availability of cash. The Company's ability to adjust the quantity of Contracts that it purchases and securitizes 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 Contract acquisition can be maintained or increased. While the specific terms and mechanics of each Spread Account vary among transactions, the Company's Securitization Agreements generally provide that the Company 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 Contracts in the pool are below certain predetermined levels. In the event delinquencies, defaults or net losses on the 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 the Company of excess cash flows associated with other pools; or (iii) in certain circumstances, may permit the insurers to require the transfer of servicing on some or all of the Contracts to another servicer. There can be no assurance that collections from the related Trusts will continue to generate sufficient cash.

Certain of the Company's securitization transactions and the warehouse credit facilities contain various financial covenants requiring certain minimum financial ratios and results. Such covenants include maintaining minimum levels of liquidity and net worth and not exceeding maximum leverage levels and maximum financial losses. In addition, certain securitization and non-securitization related debt contain cross-default provisions that would allow certain creditors to declare a default if a default occurred under a different facility.

The Servicing Agreements of the Company's securitization transactions are terminable by the Note Insurers in the event of certain defaults by the Company and under certain other circumstances. Were a Note Insurer in the future to exercise its option to terminate the Servicing Agreements, such a termination would have a material adverse effect on the Company's liquidity and results of operations. The Company continues to receive Servicer extensions on a monthly and/or quarterly basis, pursuant to the Servicing Agreements.

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's material contractual obligations as of December 31, 2005 (dollars in thousands):

	PAYMENT DUE BY PERIOD(1)				
	TOTAL	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Long Term Debt	$ 58,866	$ 55,854	$ 2,642	$ 279	$ 91
Operating Leases	$ 11,085	$ 4,353	$ 6,188	$ 545	$ --

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(1)SECURITIZATION TRUST DEBT, IN THE AGGREGATE AMOUNT OF $924.0 MILLION AS OF DECEMBER 31, 2005, IS OMITTED FROM THIS TABLE BECAUSE IT BECOMES DUE AS AND WHEN THE RELATED RECEIVABLES BALANCE IS REDUCED. EXPECTED PAYMENTS, WHICH WILL DEPEND ON THE PERFORMANCE OF SUCH RECEIVABLES, AS TO WHICH THERE CAN BE NO ASSURANCE, ARE $328.7 MILLION IN 2006, $223.7 MILLION IN 2007, $160.5 MILLION IN 2008, $114.6 MILLION IN 2009, $75.1 MILLION IN 2010, AND $21.4 MILLION IN 2011. RESIDUAL INTEREST FINANCING, OF $43.7 MILLION AS OF DECEMBER 31, 2005, IS ALSO OMITTED FROM THIS TABLE BECAUSE IT BECOMES DUE AS AND WHEN THE RELATED RESIDUAL INTEREST AND SPREAD ACCOUNT BALANCES ARE REDUCED. EXPECTED PAYMENTS, WHICH WILL DEPEND ON THE PERFORMANCE OF THE RELATED RECEIVABLES, AS TO WHICH THERE CAN BE NO ASSURANCE, ARE $18.0 MILLION IN 2006, $14.4 MILLION IN 2007, $7.6 MILLION IN 2008 AND $3.7 MILLION IN 2009.

Long term debt includes senior secured, subordinated debt and notes payable.

CREDIT FACILITIES

The terms on which credit has been available to the Company for purchase of Contracts have varied over the three-year period ended December 31, 2005, as shown in the following recapitulation:

In November 2000, the Company (through its subsidiary CPS Funding LLC) entered into a floating rate variable note purchase facility under which up to $75 million of notes could be outstanding at any time subject to collateral tests and other conditions. The Company used funds derived from this facility to purchase Contracts under the CPS Programs, which were pledged to secure the notes. The collateral tests and other conditions generally allowed the Company to borrow up to approximately 72.5% of the price paid for such Contracts. Notes issued under this facility bore interest at one-month LIBOR plus 0.75% per annum. This facility expired on February 21, 2004.

Additionally, in March 2002, the Company (through its subsidiary CPS Warehouse Trust) entered into a second floating rate variable note purchase facility, under which up to $125.0 million of notes could be outstanding at any time, subject to collateral tests and other conditions. The Company used funds derived from this facility to purchase Contracts under the CPS Programs and the TFC Programs, which were pledged to secure the notes. The collateral tests and other conditions generally allowed the Company to borrow up to approximately 73% of the price paid for such Contracts for Contracts purchased under the CPS Programs. Notes issued under this facility bore interest at commercial paper plus 1.18% per annum. During November 2004, this facility was amended to allow the Company to borrow up to approximately 70% for Contracts purchased under the TFC Programs. This facility was due to expire on April 11, 2006, but the Company elected to terminate it on June 29, 2005.

In connection with the TFC Merger in May 2003, the Company (through its subsidiary TFC Warehouse I LLC) entered into a third floating rate variable note purchase facility, under which up to $25.0 million of notes could be outstanding at any time, subject to collateral tests and other conditions. The Company used funds derived from this facility to purchase Contracts under the TFC Programs, which were pledged to secure the notes. The collateral tests and other conditions generally allowed the Company to borrow up to approximately 71% of the price paid for such Contracts. Notes issued under this facility bore interest at LIBOR plus 1.75% per annum. This facility expired on June 24, 2004.

In June 2004, the Company (through its subsidiary Page Funding LLC) entered into a floating rate variable note purchase facility. Up to $200 million of notes may be outstanding under this facility at any time subject to certain collateral tests and other conditions. The Company uses funds derived from this facility to purchase Contracts under the CPS Programs, which are pledged to secure the notes. The collateral tests and other conditions generally allow the Company to borrow up to approximately 77.0% of the price paid for such Contracts. Notes issued under this facility bear interest at one-month LIBOR plus 1.50% per annum. The balance of notes outstanding related to this facility at December 31, 2005 was $836,000.

In November 2005, the Company (through its subsidiary Page Three Funding LLC) entered into a floating rate variable note purchase facility. Up to $150 million of notes may be outstanding under this facility at any time subject to certain collateral tests and other conditions. The Company uses funds derived from this facility to purchase Contracts under the CPS Programs, which are pledged to secure the notes. The collateral tests and other conditions generally allow the Company to borrow up to approximately 80.0% of the price paid for such Contracts. Notes issued under this facility bear interest at one-month LIBOR plus 2.00 % per annum. The balance of notes outstanding related to this facility at December 31, 2005 was $34.5 million.

CAPITAL RESOURCES

As noted above, $55.8 million of long-term debt matures prior to December 15, 2006, although the Company repaid $14.0 million of such debt in January 2006. The Company plans to repay its long-term debt from a combination of the following: (i) additional proceeds from the offering of renewable notes; (ii) a possible transaction similar to the financing that it undertook in March 2004 and November 2005 where the Company issued notes secured by its residual interests in securitizations; and (iii) possible senior secured financing similar to its existing outstanding senior secured financing. There can be no assurance that the Company will be able to complete these transactions. Securitization trust debt is repaid from collections on the related receivables, and becomes due in accordance with its terms as the principal amount of the related receivables is reduced. Although the securitization trust debt also has alternative maximum maturity dates, those dates are significantly later than the dates at which repayment of the related receivables is anticipated, and at no time in the Company's history have any of its sponsored asset-backed securities reached those alternative maximum maturities.

The acquisition of Contracts for subsequent transfer in securitization transactions, and the need to fund Spread Accounts and initial overcollateralization, if any, 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 the Company's Contract purchases, the required level of initial credit enhancement in securitizations, and the extent to which the Trusts and related Spread Accounts either release cash to the Company or capture cash from collections on securitized Contracts. The Company plans to adjust its levels of Contract purchases so as to match anticipated releases of cash from the Trusts and related Spread Accounts with its capital requirements.

CAPITALIZATION

Over the three-year period ended December 31, 2005 the Company has managed its capitalization by issuing and restructuring debt as summarized in the following table:

	YEAR ENDED DECEMBER 31,		
	2005	2004	2003
	(IN THOUSANDS)		
RESIDUAL INTEREST FINANCING:			
Beginning balance	$ 22,204	$ --	$ --
Issuances	45,800	44,000	--
Payments	(24,259)	(21,796)	--
Ending balance	$ 43,745	$ 22,204	$ --
SECURITIZATION TRUST DEBT:			
Beginning balance	$ 542,815	$ 245,118	$ 71,630
Assumption in connection with TFC Merger	--	--	115,597
Issuances	662,350	474,720	154,375
Payments	(281,139)	(177,023)	(96,484)
Ending balance	$ 924,026	$ 542,815	$ 245,118
SENIOR SECURED DEBT:			
Beginning balance	$ 59,829	$ 49,965	$ 50,072
Issuances	--	25,000	25,000
Payments	(19,829)	(15,136)	(25,107)
Ending balance	$ 40,000	$ 59,829	$ 49,965
SUBORDINATED DEBT:			
Beginning balance	$ 15,000	$ 35,000	$ 36,000
Payments	(1,000)	(20,000)	(1,000)
Ending balance	$ 14,000	$ 15,000	$ 35,000
SUBORDINATED RENEWABLE NOTES DEBT:			
Beginning balance	$ --	$ --	$ --
Issuances	4,685	--	--
Payments	(30)	--	--
Ending balance	$ 4,655	$ --	$ --
RELATED PARTY DEBT:			
Beginning balance	$ --	$ 17,500	$ 17,500
Non-cash conversion	--	(1,000)	--
Payments	--	(16,500)	--
Ending balance	$ --	$ --	$ 17,500

During the first quarter of 2001, the Company purchased a total of $8,000,000 of outstanding indebtedness held by Levine Leichtman Capital Partners II, L.P. ("LLCP") and Stanwich Financial Services Corp. ("SFSC"). The Company purchased and retired $4,000,000 of subordinated debt held by SFSC in exchange for payment of $3,920,000, and purchased and retired $4,000,000 of senior secured debt held by LLCP in exchange for payment of $4,200,000. The LLCP debt by its terms called for a prepayment penalty of 3% (or $120,000); the additional 2% (or $80,000) paid in connection with its February 2001 prepayment was absorbed by SFSC.

In March 2002, the Company and LLCP entered into an additional series of agreements under which LLCP provided additional funding to enable the Company to acquire MFN Financial Corporation. Under the March 2002 agreements, the Company borrowed $35 million from LLCP as a bridge note (the "Bridge Note") and approximately $8.5 million (the "Term C Note") on a deemed principal amount of

approximately $11.2 million. The Bridge Note requires principal payments of $2.0 million a month, which began in June 2002, with a final balloon payment in the amount of $17.0 million, which was made pursuant to the terms of the Bridge Note in February 2003. The Term C Note repayment schedule is based on the performance of a certain securitized pool. As the subordinated Note of the pool is repaid from the Trust, principal payments are due on the Term C Note. The maturity date of the Term C Note was March 2008. Interest was due monthly on the Bridge Note at a rate of 13.5% per annum and on the Term C Note at a rate of 12.0% per annum. In connection with the March 2002 agreements and the acquisition of MFN, the Company paid LLCP a structuring fee of $1.75 million and an investment banking fee of $1.0 million, and paid LLCP's out-of-pocket expenses of approximately $315,000. In addition, the Company paid LLCP certain other fees and interest amounting to $426,181. Approximately $1.4 million of the fees and other amounts paid to LLCP were deferred as financing costs and are being amortized over the life of the related debt. The remaining fees and other costs were included in the purchase price of MFN.

At the time of the MFN Merger, MFN had outstanding $22.5 million in principal amount of senior subordinated debt, which was due and repaid in full on March 23, 2002. Such debt bore interest at the rate of 11.00% per annum, payable quarterly in arrears. At the time of the TFC Merger, TFC had outstanding $6.3 million in principal amount of subordinated debt, which the Company assumed as part of the TFC Merger. The debt bore interest at the rate of 13.25% per annum payable monthly in arrears, required monthly amortization and was repaid in full in June 2005.

On February 3, 2003, the Company borrowed $25.0 million from LLCP, net of fees and expenses of $1.05 million. The indebtedness, represented by the "Term D Note," was originally due in April 2003, with Company options to extend the maturity to May 2003 and January 2004, upon payment of successive extension fees of $125,000. The Company has paid the fees to extend the maturity to January 2004. Interest on the Term D Note is payable monthly at rates that averaged 4.79% per annum through June 30, 2003, and 12.0% per annum thereafter. In a separate transaction, the Bridge Note issued to LLCP in connection with the acquisition of MFN, in an original principal amount of $35.0 million, was due on February 28, 2003. The outstanding principal balance of $17.0 million was paid in February 2003. In addition, the maturity of the Term B Note was extended in October 2003 from November 2003 to January 2004. The Company repaid in full the Term C Note on January 29, 2004 and repaid $10.0 million of the Term D Note on January 15, 2004. In addition, on January 29, 2004 the maturities of the Term B and the Term D Note were extended to December 15, 2005 and the coupons on both notes were decreased to 11.75% per annum from 14.50% and 12.00%, respectively. The Company paid LLCP fees equal to $921,000 for these amendments, which will be amortized over the remaining life of the notes. The Company repaid the remaining $19.8 million on the Term B Note in December 2005. On December 13, 2005 the maturity of the Term D Note was extended to December 18, 2006. The Company paid LLCP fees equal to $150,000 for this amendment, which will be amortized over the remaining life of the note. As of December 31, 2005, the outstanding principal balance of the Term D Note was $15.0 million.

On May 28, 2004 and June 25, 2004, the Company borrowed $15 million and $10 million, respectively, from LLCP. The indebtedness, represented by the "Term E Note," and the "Term F Note," respectively, bears interest at 11.75% per annum. Both the Term E Note and the Term F Note mature two years from their respective funding dates. As of December 31, 2005, the outstanding principal balances of the Term E Note and the Term F Note were $15.0 million and $10.0 million, respectively.

In the second quarter of 2004, the Company retired an aggregate of $37.5 million of long-term indebtedness, comprising (i) $20.0 million of partially convertible debt ("Participating Equity Notes" or "PENs") issued in an April 1997 public offering and bearing interest at 10.50% per annum, (ii) $15.0 million of debt issued in June 1997 to SFSC on terms similar to those of the PENs, but bearing interest at 9.00% per annum, (iii) $1.0 million of convertible debt issued in 1998 to a director of the Company, bearing interest at 12.50% per annum, and (iv) $1.5 million of debt issued in 1999 to SFSC, bearing interest at 14.50% per annum. The indebtedness to the director was converted, in accordance with its terms, into common stock at the rate of $3.00 per share; the remainder of such indebtedness was repaid.

The Company must comply with certain affirmative and negative covenants related to debt facilities, which require, among other things, that the Company maintain certain financial ratios related to liquidity, net worth, capitalization, investments, acquisitions, restricted payments and certain dividend restrictions. As a result of waivers and amendments to covenants related to securitization and non-securitization related debt throughout 2004 and 2005, the Company was in compliance with all such covenants as of December 31, 2005. In addition, certain securitization and non-securitization related debt contain cross-default provisions that would allow certain creditors to declare default if a default occurred under a different facility.

In July 2000, the Board of Directors authorized the purchase of up to $5,000,000 of outstanding debt and equity securities of the Company, inclusive of the mandatory annual purchase or redemption of $1,000,000 of the Company's outstanding "RISRS" subordinated debt securities, due 2006. In October 2002, the Board of Directors authorized the purchase of an additional $5,000,000 of outstanding debt or equity securities. In October 2004, the Board of Directors authorized the purchase of an additional $5,000,000 of outstanding debt or equity securities. As of December 31, 2005, the Company had purchased $5.0 million in principal amount of the RISRS, and $5.0 million of its common stock, representing 2,365,695 shares.

FORWARD-LOOKING STATEMENTS

This report on Form 10-K includes certain "forward-looking statements," including, without limitation, the statements or implications to the effect that prepayments as a percentage of original balances will approximate 22.2% to 35.8% cumulatively over the lives of the related Contracts, that charge-offs as a percentage of original balances will approximate 15.9% to 26.1% cumulatively over the lives of the related Contracts, with recovery rates approximating 4.0% to 5.9% of original principal balances. Other forward-looking statements may be identified by the use of words such as "anticipates," "expects," "plans," "estimates," or words of like meaning. As to the specifically identified forward-looking statements, 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 Contracts, changes in laws respecting consumer finance, which could affect the ability of the Company to enforce rights under 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 the Company's revenues in the current year include the levels of cash releases from existing pools of Contracts, which would affect the Company's ability to purchase Contracts, the terms on which the Company is able to finance such purchases, the willingness of Dealers to sell Contracts to the Company on the terms that it offers, and the terms on which the Company is able to complete term securitizations once Contracts are acquired. Factors that could affect the Company's expenses in the current year include competitive conditions in the market for qualified personnel, and interest rates (which affect the rates that the Company pays on Notes issued in its securitizations). The statements concerning the Company structuring future securitization transactions as secured financings and the effects of such structures on financial items and on the Company's future profitability also are forward-looking statements. Any change to the structure of the Company's securitization transaction could cause such forward-looking statements not to be accurate. Both the amount of the effect of the change in structure on the Company's profitability and the duration of the period in which the Company's 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 the Company purchases and sells Contracts, any changes in that rate, the credit performance of such Contracts, the financial terms of future securitizations, any changes in such terms over time, and other factors that generally affect the Company's profitability.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123(R) (as amended), "Share-Based Payment" ("FAS 123(R)" or the "Statement"). FAS 123 (R) and related interpretations require that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. FAS 123(R) permits entities to use any option-pricing model that meets the fair value objective in the Statement. (Modifications of share-based payments will be treated as replacement awards with the cost of the incremental value recorded in the financial statements.)

The Statement is effective at the beginning of 2006 and will therefore be effective for the Company's first quarter of 2006. As of the effective date, the Company will apply the Statement using a modified version of prospective application. Under that transition method, compensation cost is recognized for (1) all awards granted after the required effective date and to awards modified, cancelled, or repurchased after that date and (2) the portion of prior awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated for pro forma disclosures under SFAS 123. As a result of the acceleration of vesting on all options outstanding in December 2005 (see Note 9) there will be no effect on the Company's adoption of the statement in 2006 relating to such options currently outstanding.

In February 2006, the FASB issued FASB Statement No. 155, "Accounting for Certain Hybrid Instruments". This statement amends the guidance in FASB Statements No. 133, "Accounting for Derivative Instruments and Hedging Activities", and No. 140, ""Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities".

Statement 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. The Statement also amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

Statement 155 is effective for all financial instruments acquired or issued after January 1, 2007. The Company does not believe the adoption of this statement will have a material effect on the Company's financial position or operations.

OFF-BALANCE SHEET ARRANGEMENTS

Prior to July 2003, the Company structured its securitization transactions to meet the accounting criteria for sales of finance receivables. In this structure the notes issued by the Company's special purpose subsidiary do not appear as debt on the Company's consolidated balance sheet. See Critical Accounting Policies for a detailed discussion of the Company's securitization structure.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The Company is subject to interest rate risk during the period between when Contracts are purchased from Dealers and when such Contracts become part of a term securitization. Specifically, the interest rates on the warehouse facilities are adjustable while the interest rates on the Contracts are fixed. Historically, the Company's term securitization facilities have had fixed rates of interest. To mitigate some of this risk, the Company has in the past, and intends to continue to, structure certain of its securitization transactions to include pre-funding structures, whereby the amount of Notes issued exceeds the amount of Contracts initially sold to the Trusts. In pre-funding, the proceeds

from the pre-funded portion are held in an escrow account until the Company sells the additional Contracts to the Trust in amounts up to the balance of the pre-funded escrow account. In pre-funded securitizations, the Company locks in the borrowing costs with respect to the Contracts it subsequently delivers to the Trust. However, the Company incurs an expense in pre-funded securitizations equal to the difference between the money market yields earned on the proceeds held in escrow prior to subsequent delivery of Contracts and the interest rate paid on the Notes outstanding, the amount as to which there can be no assurance.

The following table provides information on the Company's interest rate-sensitive financial instruments by expected maturity date as of December 31, 2005:

	2006	2007	2008	2009	2010	THEREAFTER	FAIR VALUE
				(In thousands)			
Assets:							
Finance receivables(1)	$ 346,881	$ 265,019	$ 190,962	$ 138,300	$ 90,723	$ 26,741	$1,058,626
Weighted average fixed effective interest rate ...	18.29%	18.56%	18.56%	18.49%	18.44%	18.37%	
LIABILITIES:							
Warehouse lines of credit	35,350	--	--	--	--	--	35,350
Weighted average variable effective interest rate....	6.36%						
Residual interest financing	17,986	14,435	7,644	3,680	--	--	43,745
Fixed interest rate	8.36%	8.36%	8.36%	8.36%			
Securitization trust debt	328,007	224,651	160,530	113,996	75,101	21,741	914,901
Weighted average fixed effective interest rate ...	3.95%	4.09%	4.13%	4.28%	4.36%	4.73%	
Senior secured debt	40,000	--	--	--	--	--	40,000
Fixed interest rate	11.75%						
Subordinated renewable notes ..	1,643	909	1,562	171	279	91	4,655
Weighted average fixed effective interest rate ...	6.75%	8.42%	9.61%	9.10%	10.10%	9.53%	
Subordinated debt	14,000	--	--	--	--	--	14,000
Fixed interest rate	12.50%						

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(1) INCLUDES APPROXIMATELY $58.0 MILLION IN UNFUNDED CONTRACTS THAT ARE INCLUDED IN RESTRICTED CASH AT DECEMBER 31, 2005 AS A RESULT OF A PREFUNDING STRUCTURE.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

This report includes Consolidated Financial Statements, notes thereto and an Independent Auditors' Report, at the pages indicated below. Certain unaudited quarterly financial information is included in the Notes to Consolidated Financial Statements, as Note 18.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

On November 15, 2004, KPMG completed its review of the Company's consolidated financial statements as of and for the three- and nine- month periods ended September 30, 2004. KPMG's appointment as the Company's independent auditor ended at that time. On November 23, 2004 the Company engaged McGladrey & Pullen, LLP to perform the audit of the Company's consolidated financial statements as of and for the year ending December 31, 2004.

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

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

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

ITEM 9A. CONTROLS AND PROCEDURES

QUARTERLY EVALUATION OF THE COMPANY'S DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The Company maintains a system of internal controls and procedures designed to provide reasonable assurance as to the reliability of its published financial statements and other disclosures included in this report. As of the end of the period covered by this report, The Company 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 (Robert E. Riedl) concluded that the disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, material information relating to the Company that is required to be included in its 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.

CEO AND CFO CERTIFICATIONS

Immediately following the Signatures section of this Annual Report, there are two separate forms of "Certifications" of the CEO and the CFO. The first form of Certification (the Rule 13a-14 Certification) is required by Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). This Controls and Procedures section of the Annual Report includes the information concerning the Controls Evaluation referred to in the Rule 13a-14 Certifications and it should be read in conjunction with the Rule 13a-14 Certifications for a more complete understanding of the topics presented.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Disclosure Controls are procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's (the "SEC") rules and forms. Disclosure Controls are also designed to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Internal Controls are procedures designed to provide reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS

The Company's management, including the CEO and CFO, does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with its policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

SCOPE OF THE CONTROLS EVALUATION

The evaluation of our Disclosure Controls and our Internal Controls included a review of the controls' objectives and design, the Company's implementation of the controls and the effect of the controls on the information generated for use in this Annual Report. In the course of the Controls Evaluation, we sought to identify data errors, controls problems or acts of fraud and confirm that appropriate corrective actions, including process improvements, were being undertaken. This type of evaluation is performed on a quarterly basis so that the conclusions of management, including the CEO and CFO, concerning controls effectiveness can be reported in our Quarterly Reports on Form 10-Q and Annual Report on Form 10-K. Our Internal Controls are also evaluated by other personnel in our organization, as well as independent interested third parties such as financial guaranty insurers or their designees. The overall goals of these various evaluation activities are to monitor our Disclosure Controls and our Internal Controls, and to modify them as necessary; our intent is to maintain the Disclosure Controls and the Internal Controls as dynamic systems that change as conditions warrant.

Among other matters, we sought in our evaluation to determine whether there were any "significant deficiencies" or "material weaknesses" in the Company's Internal Controls, and whether the Company had identified any acts of fraud involving personnel with a significant role in the Company's Internal Controls. This information was important both for the Controls Evaluation generally, and because items 5 and 6 in the Rule 13a-14 Certifications of the CEO and CFO require that the CEO and CFO disclose that information to our Board's Audit Committee and our independent auditors, and report on related matters in this section of the Annual Report. In professional auditing literature, "significant

deficiencies" are referred to as "reportable conditions," which are control issues that could have a significant adverse effect on the ability to record, process, summarize and report financial data in the Consolidated Financial Statements. Auditing literature defines "material weakness" as a particularly serious reportable condition where the internal control does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur in amounts that would be material in relation to the Consolidated Financial Statements and the risk that such misstatements would not be detected within a timely period by employees in the normal course of performing their assigned functions. We also sought to deal with other controls matters in the Controls Evaluation, and in each case if a problem was identified, we considered what revision, improvement and/or correction to make in accordance with our ongoing procedures.

CONCLUSIONS

Based upon the Controls Evaluation, our CEO and CFO have concluded that, subject to the limitations noted above, our Disclosure Controls are effective to ensure that material information relating to Consumer Portfolio Services, Inc. and its consolidated subsidiaries is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared, and that our Internal Controls are effective to provide reasonable assurance that our Consolidated Financial Statements are fairly presented in conformity with accounting principles generally accepted in the United States of America.

ITEM 9B. OTHER INFORMATION

Not Applicable

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors of the registrant is incorporated by reference to the registrant's definitive proxy statement for its annual meeting of shareholders to be held in 2006 (the "2006 Proxy Statement"). The 2006 Proxy Statement will be filed not later than April 30, 2006. Information regarding executive officers of the registrant appears in Part I of this report, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to the 2006 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to the 2006 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference to the 2006 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference to the 2006 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

The financial statements listed below under the caption "Index to Financial Statements" are filed as a part of this report. No financial statement schedules are filed as the required information is inapplicable or the information is presented in the Consolidated Financial Statements or the related notes. Separate financial statements of the Company have been omitted as the Company is primarily an operating company and its subsidiaries are wholly owned and do not have minority equity interests and/or indebtedness to any person other than the Company in amounts which together exceed 5% of the total consolidated assets as shown by the most recent year-end Consolidated Balance Sheet.

The exhibits listed below are filed as part of this report, whether filed herewith or incorporated by reference to an exhibit filed with the report identified in the parentheses following the description of such exhibit. Unless otherwise indicated, each such identified report was filed by or with respect to the registrant.

Exhibit Number	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of November 18, 2001, by and among the Registrant, CPS Mergersub, Inc. and MFN Financial Corporation. (Form 8-K filed on November 19, 2001 by MFN Financial Corporation).
3.1	Restated Articles of Incorporation (See Exh 3.1 to Form S-2, No. 333-121913)
3.2	Amended and Restated Bylaws (See Exh 3.2 to Form S-2, No. 333-121913)
4.1	Indenture re Rising Interest Subordinated Redeemable Securities ("RISRS") (See Exh 4.1 to Form S-2, No. 33-99652)
4.1.1	First Supplemental Indenture re RISRS (See Exh 4.2 to Form S-2, No. 33-99652)
4.2	Form of Indenture re Renewable Unsecured Subordinated Notes ("RUS Notes"), (See Exh 4.1 to Form S-2, no. 333-121913)
4.2.1	Form of RUS Notes, (See Exh 4.2 to Form S-2, no. 333-121913)
4.5	Third Amended and Restated Securities Purchase Agreement ("3rd SPA") dated as of January 29, 2004, between the registrant and Levine Leichtman Capital Partners II, L.P. ("LLCP") (see Exhibit 99.16 to the Schedule 13D filed by LLCP with respect to the registrant on February 3, 2004)
4.5.1	Amendment to the 3rd SPA, dated as of March 25, 2004. (see Exhibit 99.22 to the Schedule 13D filed by LLCP with respect to the registrant on June 4, 2004)
4.5.2	Amendment to the 3rd SPA, dated as of April 2, 2004. (see Exhibit 99.23 to the Schedule 13D filed by LLCP with respect to the registrant on June 4, 2004)
4.5.3	Amendment to the 3rd SPA, dated as of May 28, 2004. (see Exhibit 99.25 to the Schedule 13D filed by LLCP with respect to the registrant on June 4, 2004)
4.5.4	Amendment to the 3rd SPA, dated as of June 25, 2004. (see Exhibit 99.29 to the Schedule 13D filed by LLCP with respect to the registrant on June 29, 2004)
4.6	Amended and Restated Secured Senior Note due December 15, 2005 (see Exhibit 99.18 to the Schedule 13D filed by LLCP with respect to the registrant on February 3, 2004)
4.6.1	Amendment to Amended and Restated Secured Senior Note due December 15, 2005 (filed herewith)
4.7	11.75% Secured Senior Note Due 2006 (see Exhibit 99.26 to the Schedule 13D filed by LLCP with respect to the registrant on June 4, 2004)
4.8	11.75% Secured Senior Note Due 2006 (see Exhibit 99.30 to the Schedule 13D filed by LLCP with respect to the registrant on June 29, 2004)

4.9	Sale and Servicing Agreement, dated as of March 1, 2002, among the Registrant, CPS Auto Receivables Trust 2002-A, CPS Receivables Corp., Systems & Services Technologies, Inc. and Bank One Trust Company, N.A. (Form 8-K filed on March 25, 2002).
4.10	Indenture, dated as of March 1, 2002, between CPS Auto Receivables Trust 2002-A and Bank One Trust Company, N.A. (Form 8-K filed on March 25, 2002).
10.1	1991 Stock Option Plan & forms of Option Agreements thereunder (See Exh 10.19 to Form S-2, no. 333-121913)
10.2	1997 Long-Term Incentive Stock Plan ("1997 Plan") (See Exh 10.20 to Form S-2, no. 333-121913)
10.2.1	Form of Option Agreement under 1997 Plan. (filed herewith)
10.3	Lease Agreement re Chesapeake Collection Facility (see Exhibit 10.11 to registrant's Form 10-K filed March 31, 1997)
10.4	Lease of Headquarters Building (see Exhibit 10.22 to registrant's Form 10-Q filed Nov. 14, 1997)
10.5	Amended & Restated Sale and Servicing Agreement dated June 29, 2005 by and among Page Funding LLC ("PFLLC"), the registrant and Wells Fargo Bank, N.A. ("WFBNA") (see Exh 10.1 to Form 10-Q filed August 9, 2005)
10.6	Annex A to Agreement filed as Exhibit 10.5 (see Exh 10.2 to Form 10-Q filed August 9, 2005)
10.7	Indenture dated as of June 30, 2004 by and among PFLLC, UBS Real Estate Securities, Inc. ("UBSRES") and WFBNA (See Exh 10.37 to Form S-2, no. 333-121913)
10.7.1	Supplement to Indenture filed as Exhibit 10.7 (see Exh 10.3 to Form 10-Q filed August 9, 2005)
10.8	Note Purchase Agreement dated as of June 30, 2004 by and among PFLLC, UBSRES and WFBNA (See Exh 10.38 to Form S-2, no. 333-121913)
10.8.1	Amendment to Agreement filed as Exhibit 10.8 (see Exh 10.4 to Form 10-Q filed August 9, 2005)
10.9	Amended & Restated Variable Funding Note dated June 29, 2005 by PFLLC (see Exh 10.5 to Form 10-Q filed August 9, 2005)
10.10	Sale and Servicing Agreement dated as of November 15, 2005, among Page Three Funding LLC ("P3FLLC"), the registrant and WFBNA. (filed herewith)
10.11	Indenture dated as of November 15, 2005 between P3FLLC and WFBNA (filed herewith)
10.12	Note Purchase Agreement dated as of November 15, 2005 among P3FLLC, the registrant and Bear, Stearns International Limited (filed herewith)
10.13	Amendment to Master Spread Account Agreement (Form 10-K dated December 31, 1999)
14	Registrant's Code of Ethics for Senior Financial Officers (filed herewith)
21	List of subsidiaries of the registrant (filed herewith)
23.1	Consent of McGladrey & Pullen, LLP (filed herewith)
23.2	Consent of KPMG, LLP (filed herewith)
31.1	Rule 13a-14(a) certification by chief executive officer (filed herewith)
31.2	Rule 13a-14(a) certification by chief financial officer (filed herewith)
32	Section 1350 certification (filed herewith)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONSUMER PORTFOLIO SERVICES, INC. (REGISTRANT)

March 10, 2006 By: /s/ Charles E. Bradley, Jr.

Charles E. Bradley, Jr., PRESIDENT

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 10, 2006 /s/ Charles E. Bradley, Jr.

Charles E. Bradley, Jr., DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER (PRINCIPAL EXECUTIVE OFFICER)

March 10, 2006 /s/ E. Bruce Fredrikson

E. Bruce Fredrikson, DIRECTOR

March 10, 2006 /s/ John E. McConnaughy, Jr.

John E. McConnaughy, Jr., DIRECTOR

March 10, 2006 /s/ John G. Poole

John G. Poole, DIRECTOR

March 10, 2006 /s/ William B. Roberts

William B. Roberts, DIRECTOR

March 10, 2006 /s/ John C. Warner

John C. Warner, DIRECTOR

March 10, 2006 /s/ Daniel S. Wood

Daniel S. Wood, DIRECTOR

March 10, 2006 /s/ Robert E. Riedl

Robert E. Riedl, CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER)

March 10, 2006 /s/ Jeffrey P. Fritz

Jeffrey P. Fritz, SR. VICE PRESIDENT (PRINCIPAL ACCOUNTING OFFICER)

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Consumer Portfolio Services, Inc.:

We have audited the consolidated balance sheets of Consumer Portfolio Services, Inc. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Consumer Portfolio Services, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/ McGladrey & Pullen, LLP

Irvine, California
February 24, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

Consumer Portfolio Services, Inc.:

We have audited the accompanying consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows of Consumer Portfolio Services, Inc. and subsidiaries (the "Company") for the year ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Consumer Portfolio Services, Inc. and subsidiaries for the year ended December 31, 2003, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Orange County, California
March 15, 2004

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	December 31, 2005	December 31, 2004
ASSETS		
Cash and cash equivalents	$ 17,789	$ 14,366
Restricted cash and equivalents	157,662	125,113
Finance receivables	971,304	592,806
Less: Allowance for finance credit losses	(57,728)	(42,615)
Finance receivables, net	913,576	550,191
Residual interest in securitizations	25,220	50,430
Furniture and equipment, net	1,079	1,567
Deferred financing costs	8,596	5,096
Deferred tax assets, net	7,532	--
Accrued interest receivable	10,930	6,411
Other assets	12,760	13,425
	$ 1,155,144	$ 766,599
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 19,568	$ 18,153
Warehouse lines of credit	35,350	34,279
Tax liabilities, net	--	2,978
Notes payable	211	1,421
Residual interest financing	43,745	22,204
Securitization trust debt	924,026	542,815
Senior secured debt, related party	40,000	59,829
Subordinated renewable notes	4,655	--
Subordinated debt	14,000	15,000
	1,081,555	696,679
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; 3,415,000 shares issued; none outstanding	--	--
Common stock, no par value; authorized 30,000,000 shares; 21,687,584 and 21,471,478 shares issued and outstanding at December 31, 2005 and December 31, 2004, respectively	66,748	66,283
Additional paid in capital, warrants	794	--
Retained earnings	8,476	5,104
Accumulated other comprehensive loss	(2,429)	(1,017)
Deferred compensation	--	(450)
	73,589	69,920
	$ 1,155,144	$ 766,599

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Year Ended December 31,		
	2005	2004	2003
Revenues:			
Net gain on sale of contracts	$ --	$ --	$ 10,421
Interest income	171,834	105,818	58,164
Servicing fees	6,647	12,480	17,058
Other income	15,216	14,394	19,343
	193,697	132,692	104,986
Expenses:			
Employee costs	40,384	38,173	37,141
General and administrative	23,095	21,293	21,271
Interest	44,148	25,876	17,867
Interest, related party	7,521	6,271	5,994
Provision for credit losses	58,987	32,574	11,390
Impairment loss on residual asset	--	11,750	4,052
Marketing	12,000	8,338	5,380
Occupancy	3,400	3,520	3,930
Depreciation and amortization	790	785	1,000
	190,325	148,580	108,025
Income (loss) before income tax benefit	3,372	(15,888)	(3,039)
Income tax benefit	--	--	(3,434)
Net income (loss)	$ 3,372	$ (15,888)	$ 395
Earnings (loss) per share:			
Basic	$ 0.16	$ (0.75)	$ 0.02
Diluted	0.14	(0.75)	0.02
Number of shares used in computing earnings (loss) per share:			
Basic	21,627	21,111	20,263
Diluted	23,513	21,111	21,578

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)

	Year Ended December 31,		
	2005	2004	2003
Net income (loss)	$ 3,372	$(15,888)	$ 395
Other comprehensive income (loss):			
Minimum pension liability, net of tax	(1,412)	1,409	(832)
Comprehensive income (loss)	$ 1,960	$(14,479)	$ (437)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital, Warrants	Retained Earnings	Accumulated Other Comprehensive Loss	Deferred Compensation	Total
Balance at December 31, 2002	20,528	$ 63,929	$ --	$ 20,597	$ (1,594)	$ (358)	$ 82,574
Common stock issued upon exercise of options, including tax benefit	609	974	--	--	--	--	974
Purchase of common stock	(548)	(1,195)	--	--	--	--	(1,195)
Pension benefit obligation	--	--	--	--	(832)	--	(832)
Repurchase of warrants issued	--	(896)	--	--	--	--	(896)
Deferred compensation on stock options	--	1,585	--	--	--	(1,585)	--
Amortization of stock compensation	--	--	--	--	--	1,140	1,140
Net income	--	--	--	395	--	--	395
Balance at December 31,2003	20,589	64,397	--	20,992	(2,426)	(803)	82,160
Common stock issued upon exercise of options, including tax benefit	575	1,079	--	--	--	--	1,079
Common stock issued upon conversion of debt	333	1,000	--	--	--	--	1,000
Purchase of common stock	(26)	(111)	--	--	--	--	(111)
Pension benefit obligation	--	--	--	--	1,409	--	1,409
Deferred compensation on stock options	--	(82)	--	--	--	82	--
Amortization of stock compensation	--	--	--	--	--	271	271
Net loss	--	--	--	(15,888)	--	--	(15,888)
Balance at December 31, 2004	21,471	66,283	--	5,104	(1,017)	(450)	69,920
Common stock issued upon exercise of options, including tax benefit	415	1,311	--	--	--	--	1,311
Purchase of common stock	(199)	(1,040)	--	--	--	--	(1,040)
Pension benefit obligation	--	--	--	--	(1,412)	--	(1,412)
Valuation of warrants issued	--	--	794	--	--	--	794
Deferred compensation on stock options	--	194	--	--	--	(194)	--
Amortization of stock compensation	--	--	--	--	--	644	644
Net income	--	--	--	3,372	--	--	3,372
Balance at December 31, 2005	21,687	$ 66,748	$ 794	$ 8,476	$ (2,429)	$ --	$ 73,589

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended December 31,		
	2005	2004	2003
Cash flows from operating activities:			
Net income (loss)	$ 3,372	$ (15,888)	$ 395
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Reversal of restructuring accrual	--	(1,287)	--
Impairment loss on residual asset	--	11,750	4,052
Amortization of deferred acquisition fees	(10,851)	(6,725)	(870)
Amortization of discount on Class B Notes	1,486	588	--
Depreciation and amortization	790	785	1,000
Amortization of deferred financing costs	3,296	3,479	2,695
Provision for credit losses	58,987	32,574	11,916
Gain of sale of Contracts, NIR	--	--	(4,381)
Deferred compensation	644	271	1,140
Releases of cash from Trusts to Company	23,074	21,357	25,934
Initial deposits to Trusts	--	--	(18,736)
Net deposits to Trusts to increase Credit Enhancement	--	(2,858)	(20,867)
Interest income on residual assets	(5,338)	(4,633)	(16,178)
Cash received from residual interest in securitizations	30,548	54,154	45,644
Impairment charge against non-auto finanace receivable assets	1,882	--	--
Changes in assets and liabilities:			
Payments on restructuring accrual	(1,425)	(1,969)	(1,804)
Restricted cash and equivalents	(55,623)	(76,336)	(30,641)
Purchases of contracts held for sale	--	--	(182,045)
Proceeds received on Contracts held for sale	--	--	283,423
Other assets	(5,578)	(5,415)	6,936
Deferred tax assets, net	(7,532)	--	--
Accounts payable and accrued expenses	1,928	715	(1,559)
Tax liabilities	(2,978)	(606)	(7,162)
Net cash provided by operating activities	36,682	9,956	98,892
Cash flows from investing activities:			
Purchases of finance receivables held for investment	(691,252)	(505,977)	(175,275)
Purchases of note receivable	--	(2,799)	--
Proceeds received on finance receivables held for investment	279,730	196,126	6,611
Purchase of furniture and equipment	(166)	(1,408)	(93)
Purchase of subsidiary, net of cash acquired	--	--	(10,181)
Net cash used in investing activities	(411,688)	(314,058)	(178,938)
Cash flows from financing activities:			
Proceeds from issuance of residual financing debt	45,800	44,000	--
Proceeds from issuance of securitization trust debt	662,350	474,720	154,375
Proceeds from issuance of senior secured debt, related party	--	25,000	25,000
Proceeds from issuance of subordinated renewable notes	4,685	--	--
Net proceeds from warehouse lines of credit	1,071	570	31,332
Repayment of residual interest financing debt	(24,259)	(21,796)	--
Repayment of securitization trust debt	(282,625)	(177,611)	(96,484)
Repayment of senior secured debt, related party	(19,829)	(15,137)	(25,107)
Repayment of subordinated debt and renewable notes	(1,030)	(20,000)	(1,000)
Repayment of notes payable	(1,209)	(1,909)	(3,748)
Repayment of related party debt	--	(16,500)	--
Payment of financing costs	(6,796)	(7,046)	(2,553)
Repurchase of common stock	(1,040)	(111)	(1,195)
Repurchase of warrants issued	--	--	(896)
Exercise of options and warrants	1,311	1,079	584
Net cash provided by financing activities	378,429	285,259	80,308
Increase (decrease) in cash and cash equivalents	3,423	(18,843)	262
Cash and cash equivalents at beginning of period	14,366	33,209	32,947
Cash and cash equivalents at end of period	$ 17,789	$ 14,366	$ 33,209

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended December 31,		
	2005	2004	2003
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$ 45,929	$ 28,228	$ 18,677
Income taxes	9,377	420	3,728
Supplemental disclosure of non-cash investing and financing activities:			
Stock-based compensation	$ 644	$ 271	$ 1,140
Conversion of related party debt to common stock	--	(1,000)	--
Pension benefit obligation, net	1,412	(1,409)	832
Value of warrants issued	794	--	--

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Consumer Portfolio Services, Inc. ("CPS") was incorporated in California on March 8, 1991. CPS and its subsidiaries (collectively, the "Company") specialize in purchasing, selling and servicing retail automobile installment sale contracts ("Contracts") originated by licensed motor vehicle dealers ("Dealers") located throughout the United States. Dealers located in Texas, California, Ohio and Florida represented 10.7%, 9.0%, 7.5% and 7.1%, respectively of Contracts purchased during 2005 compared with 12.1%, 8.6%, 5.1% and 6.1%, respectively in 2004. No other state had a concentration in excess of 7.0%. The Company specializes in Contracts with obligors who generally would not be expected to qualify for traditional financing, such as that provided by commercial banks or automobile manufacturers' captive finance companies.

The Company is subject to various regulations and laws as they relate to the extension of credit in consumer credit transactions. Although the Company believes it is currently in material compliance with these regulation and laws, there can be no assurance that the Company will be able to maintain such compliance. Failure to comply with such laws and regulations could have a material adverse effect on the Company.

ACQUISITIONS

On March 8, 2002, the Company acquired MFN Financial Corporation and its subsidiaries in a merger (the "MFN Merger"). On May 20, 2003, the Company acquired TFC Enterprises, Inc. and its subsidiaries in a second merger (the "TFC Merger"). Each merger was accounted for as a purchase. MFN Financial Corporation and its subsidiaries ("MFN") and TFC Enterprises, Inc. and its subsidiaries ("TFC") were engaged in businesses similar to that of the Company: buying Contracts from Dealers, financing those Contracts through securitization transactions, and servicing those Contracts. MFN ceased acquiring Contracts in March 2002; TFC continues to acquire Contracts under its "TFC Programs."

On April 2, 2004, the Company purchased a portfolio of Contracts and certain other assets (the "SeaWest Asset Acquisition") from SeaWest Financial Corporation ("SeaWest"). In addition, the Company was named the successor servicer for three term securitization transactions originally sponsored by SeaWest (the "SeaWest Third Party Portfolio"). The Company does not intend to offer financing programs similar to those previously offered by SeaWest.

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of Consumer Portfolio Services, Inc. and its wholly-owned subsidiaries, certain of which are Special Purpose Subsidiaries ("SPS"), formed to accommodate the structures under which the Company purchases and securitizes its Contracts. The Consolidated Financial Statements also include the accounts of CPS Leasing, Inc., an 80% owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of cash on hand and due from banks and money market accounts. The Company's cash is primarily deposited at three financial institutions. The Company maintains cash due from banks in excess of the bank's insured deposit limits. The Company does not believe it is exposed to any significant credit risk on these deposits. As part of certain financial covenants related to debt facilities, the Company is required to maintain a minimum unrestricted cash balance.

FINANCE RECEIVABLES, NET OF UNEARNED INCOME

Finance receivables are presented at cost. All Finance receivable Contracts are held for investment and include automobile installment sales contracts on which interest is pre-computed and added to the amount financed. The interest on such Contracts is included in unearned finance charges. Unearned finance charges are amortized using the interest method over the contractual term of the receivables. Generally, payments received on finance receivables are restricted to certain securitized pools, and the related Contracts cannot be resold. Finance receivables are charged off pursuant to the controlling documents of certain securitized pools, generally before they become contractually delinquent five payments. Contracts that are deemed uncollectible prior to the maximum delinquency period are charged off immediately. Management may authorize an extension of payment terms if collection appears likely during the next calendar month.

The Company's portfolio of finance receivables is comprised of smaller-balance homogeneous Contracts that are collectively evaluated for impairment on a portfolio basis. The Company reports delinquency on a contractual basis. Once a Contract becomes greater than 90 days delinquent, the Company does not recognize additional interest income until the borrower under the Contract makes sufficient payments to be less than 90 days delinquent. Any payments received by a borrower that is greater than 90 days delinquent is first applied to accrued interest and then to principal reduction.

ALLOWANCE FOR FINANCE CREDIT LOSSES

In order to estimate an appropriate allowance for losses to be incurred on finance receivables, the Company uses a loss allowance methodology commonly referred to as "static pooling," which stratifies its finance receivable portfolio into separately identified pools. Using analytical and formula driven techniques, the Company estimates an allowance for finance credit losses, which management believes is adequate for probable credit losses that can be reasonably estimated in its portfolio of finance receivable Contracts. Provision for loss is charged to the Company's 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, the value of the underlying collateral and historical loss trends. As conditions change, the Company's level of provisioning and/or allowance may change as well.

CHARGE OFF POLICY

Delinquent Contracts for which the related financed vehicle has been repossessed are generally charged off no later than the month in which the proceeds from the sale of the financed vehicle were received (see Repossessed and Other Assets below). The amount charged off is the remaining principal balance of the Contract, after the application of the net proceeds from the liquidation of the financed vehicle. With respect to delinquent Contracts for which the related financed vehicle has not been sold, the remaining principal balance thereof is generally charged off no later than the end of the month that the Contract becomes 120 days past due for CPS Program receivables and for non-CPS Program receivables, no later than the end of the month that the Contract becomes 180 days past due.

CONTRACT ACQUISITION FEES

Upon purchase of a Contract from a Dealer, the Company generally charges or advances 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 reduce the carrying value of finance receivables and are accreted into earnings as an adjustment to the yield over the life of the loans using the interest method in accordance with Statement of Financial Accounting Standards No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases".

Effective January 1, 2005, the Company adopted the Accounting Standards Executive Committee's Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" ("SOP 03-3"), for loans acquired subsequent to December 31, 2004. Under SOP 03-3, dealer acquisition fees on loans purchased by the Company are not considered credit-related because there is no deterioration in credit quality between the time the loan originated and when it is acquired. The adoption of SOP 03-3 had no impact on the financial statements of the Company.

REPOSSESSED AND OTHER ASSETS

If a customer fails to make or keep promises for payments, or if the customer is uncooperative or attempts to evade contact or hide the vehicle, a supervisor will review the collection activity relating to the account to determine if repossession of the vehicle is warranted. Generally, such a decision will occur between the 45th and 90th day past the customer's payment due date, but could occur sooner or later, depending on the specific circumstances. At the time the vehicle is repossessed the Company will stop accruing interest in this Contract, and reclassify the remaining Contract balance to other assets. In addition the Company will apply a specific reserve to this Contract so that the net balance represents the estimated fair value less costs to sell. Included in other assets in the accompanying balance sheets are repossessed vehicles pending sale, net of the reserve, of $4.2 million and $2.7 million at December 31, 2005 and 2004, respectively.

Included in Other Assets are non-finance receivable assets totaling $2.4 million as of December 31, 2005, net of a valuation allowance of $1.9 million. The valuation allowance was established in 2005 and is included in general and administrative expenses in the Company's Consolidated Statement of Operations (See Note 13). Included in the $1.9 million valuation allowance, is $900,000 associated with related party receivables.

TREATMENT OF SECURITIZATIONS

Prior to July 2003, the disposition of Contracts in securitization transactions were structured as sales for financial accounting purposes, therefore, gain on sale was recognized on those securitization transactions in which the Company, or a wholly-owned, consolidated subsidiary of the Company, retained a residual interest in the Contracts that were sold to a wholly-owned, unconsolidated special purpose subsidiary. These securitization transactions include "term" securitizations (the purchaser holds the Contracts for substantially their entire term) and "continuous" or "warehouse" securitizations (which finance the acquisition of the Contracts for future sale into term securitizations).

The line item "Residual interest in securitizations" on the Company's Consolidated Balance Sheet represents the residual interests in term securitizations completed prior to July 2003. This line represents the discounted sum of expected future cash flows from these securitization trusts. Accordingly, the valuation of the residual is heavily dependent on estimates of future performance of the Contracts included in the term securitizations.

All subsequent securitizations were structured as secured financings. The warehouse securitizations are accordingly reflected in the line items "Finance receivables" and "Warehouse lines of credit" on the Company's Consolidated Balance Sheet, and the term securitizations are reflected in the line items "Finance receivables" and "Securitization trust debt."

The Company's securitization structure has generally been as follows:

The Company sells Contracts it acquires to a wholly-owned Special Purpose Subsidiary ("SPS"), which has been established for the limited purpose of buying and reselling the Company's Contracts. The SPS then transfers the same Contracts to another entity, typically a statutory trust ("Trust"). The Trust issues interest-bearing asset-backed securities ("Notes"), in a principal amount equal to or less than the aggregate principal balance of the Contracts. The Company typically sells these Contracts to the Trust at face value and without recourse, except that representations and warranties similar to those provided by the Dealer to the Company are provided by the Company to the Trust. One or more investors purchase the Notes issued by the Trust (the "Noteholders"); the proceeds from the sale of the Notes are then used to purchase the Contracts from the Company. The Company may retain or sell subordinated Notes issued by the Trust or a related entity. The Company purchases a financial guaranty insurance policy, guaranteeing timely payment of principal and interest on the senior Notes, from an insurance company (a "Note Insurer"). In addition, the Company provides "Credit Enhancement" for the benefit of the Note Insurer and the Noteholders in three forms: (1) an initial cash deposit to a bank account (a "Spread Account") held by the Trust, (2) overcollateralization of the Notes, where the principal balance of the Notes issued is less than the principal balance of the Contracts, and (3) in the form of subordinated Notes. The agreements governing the securitization transactions (collectively referred to as the "Securitization Agreements") require that the initial level of Credit Enhancement be supplemented by a portion of collections from the Contracts until the level of Credit Enhancement reaches specified levels which are then maintained. The specified levels are generally computed as a percentage of the principal amount remaining unpaid under the related Contracts. The specified levels at which the Credit Enhancement is to be maintained will vary depending on the performance of the portfolios of Contracts held by the Trusts and on other conditions, and may also be varied by agreement among the Company, the SPS, the Note Insurers and the trustee. Such levels have increased and decreased from time to time based on performance of the various portfolios, and have also varied by Securitization Agreement. The Securitization Agreements generally grant the Company the option to repurchase the sold Contracts from the Trust when the aggregate outstanding balance of the Contracts has amortized to a specified percentage of the initial aggregate balance.

Beginning in the third quarter of 2003, the Company began to structure its term securitization transactions so that they would be treated for financial accounting purposes as borrowings secured by receivables, rather than as sales of receivables.

These changes collectively represent a deferral of revenue and acceleration of expenses, and thus a more conservative approach to accounting for the Company's operations compared to the previous term securitization transactions which were accounted for as sales at the consummation of the transaction. The changes have resulted in the Company initially reporting lower earnings than it would have reported if it had continued structuring its securitizations to require recognition of gain on sale.

Securitizations prior to July 2003 that were treated as sales for financial accounting purposes differ from secured financings in that the Trust to which the SPS sold the Contracts met the definition of a "qualified special purpose entity" under Statement of Financial Accounting Standards No. 140 ("SFAS 140"). As a result, assets and liabilities of the Trust are not consolidated into the Company's Consolidated Balance Sheet.

The Company's warehouse securitization structures are similar to the above, except that (i) the SPS that purchases the Contracts pledges the Contracts to secure promissory notes which it issues, (ii) the promissory notes are in an aggregate principal amount of not more than 77.0% to 80.0% of the aggregate principal balance of the Contracts (that is, at least 20.0% overcollateralization), and (iii) no increase in the required amount of Credit Enhancement is contemplated unless certain portfolio performance tests are breached. Upon each sale of Contracts in a securitization structured as a secured financing, the Company retains on its Consolidated Balance Sheet the Contracts securitized as assets and records the Notes issued in the transaction as indebtedness of the Company.

Under the prior securitizations structured as sales for financial accounting purposes, the Company removed from its Consolidated Balance Sheet the Contracts sold and added to its Consolidated Balance Sheet (i) the cash received, if any, and (ii) the estimated fair value of the ownership interest that the Company retains in Contracts sold in the securitization. That retained or residual interest (the "Residual") consists of (a) the cash held in the Spread Account, if any, (b) overcollateralization, if any, (c) subordinated Notes retained, if any, and (d) receivables from Trust, which include the net interest receivables ("NIRs"). NIRs represent the estimated discounted cash flows to be received from the Trust in the future, net of principal and interest payable with respect to the Notes, and certain expenses. The excess of the cash received and the assets retained by the Company over the allocated carrying value of the Contracts sold, less transaction costs, equals the net gain on sale of Contracts recorded by the Company. Until the maturity of these transactions, the Company's Consolidated Balance Sheet will reflect securitization transactions structured both as sales and as secured financings.

With respect to securitizations structured as sales for financial accounting purposes, the Company allocates its basis in the Contracts between the Contracts sold and the Residuals retained based on the relative fair values of those portions on the date of the sale. The Company recognizes gains or losses attributable to the change in the estimated fair value of the Residuals. Gains in fair value are recognized in the income statement with losses being recorded as an impairment loss in the income statement. The Company is not aware of an active market for the purchase or sale of interests such as the Residuals; accordingly, the Company determines the estimated fair value of the Residuals by discounting the amount of anticipated cash flows that it estimates will be released to the Company in the future (the cash out method), using a discount rate that the Company believes is appropriate for the risks involved. The anticipated cash flows include collections from both current and charged off receivables. The Company has used an effective pre-tax discount rate of 14% per annum except for certain collections from charged off receivables related to the Company's securitizations in 2001 and later where the Company has used a discount rate of 25%.

The Company receives periodic base servicing fees for the servicing and collection of the Contracts. In addition, the Company is entitled to the cash flows from the Trusts that represent collections on the Contracts in excess of the amounts required to pay principal and interest on the Notes, the base servicing fees, and certain other fees (such as trustee and custodial fees). Required principal payments on the Notes are generally defined as the payments sufficient to keep the principal balance of the Notes equal to the aggregate principal balance of the related Contracts (excluding those Contracts that have been charged off), or a pre-determined percentage of such balance. Where that percentage is less than 100%, the related Securitization Agreements require accelerated payment of principal until the principal balance of the Notes is reduced to the specified percentage. Such accelerated principal payment is said to create "overcollateralization" of the Notes.

If the amount of cash required for payment of fees, interest and principal exceeds the amount collected during the collection period, the shortfall is withdrawn from the Spread Account, if any. If the cash collected during the period exceeds the amount necessary for the above allocations, and there is no shortfall in the related Spread Account or other form of Credit Enhancement, the excess is released to the Company, or in certain cases is transferred to other Spread Accounts related to transactions insured by the same Note Insurer that may be below their required levels. If the total Credit Enhancement amount is not at the required level, then the excess cash collected is retained in the Trust until the specified level is achieved. Although Spread Account balances are held by the Trusts on behalf of the Company's SPS as the owner of the Residuals (in the case of securitization transactions structured as sales for financial accounting purposes) or the Trusts (in the case of securitization

transactions structured as secured financings for financial accounting purposes), the cash in the Spread Accounts is restricted from use by the Company. Cash held in the various Spread Accounts is invested in high quality, liquid investment securities, as specified in the Securitization Agreements. In determining the value of the Residuals, the Company must estimate the future rates of prepayments, delinquencies, defaults, default loss severity, and recovery rates, as all of these factors affect the amount and timing of the estimated cash flows. The Company's estimates are based on historical performance of comparable Contracts.

Following a securitization that is structured as a sale for financial accounting purposes, interest income is recognized on the balance of the Residuals. In addition, the Company will recognize as a gain additional revenue from the Residuals if the actual performance of the Contracts is better than the Company's estimate of the value of the residual. If the actual performance of the Contracts were worse than the Company's estimate, then a downward adjustment to the carrying value of the Residuals and a related impairment charge would be required. In a securitization structured as a secured financing for financial accounting purposes, interest income is recognized when accrued under the terms of the related Contracts and, therefore, presents less potential for fluctuations in performance when compared to the approach used in a transaction structured as a sale for financial accounting purposes.

In all the Company's term securitizations, whether treated as secured financings or as sales, the Company has transferred the receivables (through a subsidiary) to the securitization Trust. The difference between the two structures is that in securitizations that are treated as secured financings the Company reports the assets and liabilities of the securitization Trust on its Consolidated Balance Sheet. Under both structures the Noteholders' and the related securitization Trusts' recourse to the Company for failure of the Contract obligors to make payments on a timely basis is limited to the Company's Finance receivables, Spread Accounts and Residuals.

SERVICING

The Company considers the contractual servicing fee received on its managed portfolio held by non-consolidated subsidiaries to approximate adequate compensation. As a result, no servicing asset or liability has been recognized. Servicing fees received on its managed portfolio held by non-consolidated subsidiaries are reported as income when earned. Servicing fees received on its managed portfolio held by consolidated subsidiaries are included in interest income when earned. Servicing costs are charged to expense as incurred. Servicing fees receivable, which are included in Other Assets in the accompanying balance sheets, represent fees earned but not yet remitted to the Company by the trustee.

FURNITURE AND EQUIPMENT

Furniture and equipment are stated at cost net of accumulated depreciation. The Company calculates depreciation using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Assets held under capital leases and leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the related lease terms. Amortization expense on assets acquired under capital lease is included with depreciation expense on Company owned assets.

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

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets." This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of

assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

OTHER INCOME

Other Income consists primarily of recoveries on previously charged off MFN Contracts, fees paid to the Company by Dealers for certain direct mail services the Company provides, refunds of sales taxes paid by obligors under the Contracts, and, in 2005 $2.7 million in proceeds from sales of previously charged off Contracts to independent third parties. The recoveries on previously charged off MFN Contracts relate to Contracts that were acquired in the MFN acquisition. These recoveries totaled $4.9 million, $8.0 million and $12.2 million for the years ended December 31, 2005, 2004 and 2003, respectively.

EARNINGS PER SHARE

The following table illustrates the computation of basic and diluted earnings (loss) per share:

	2005	2004	2003
	(In thousands, except per share data)		
Numerator:			
Numerator for basic and diluted earnings (loss) per share	$ 3,372	$(15,888)	$ 395
Denominator:			
Denominator for basic earnings (loss) per share - weighted average number of common shares outstanding during the year	$ 21,627	21,111	20,263
Incremental common shares attributable to exercise of outstanding options and warrants	$ 1,886	--	1,315
Denominator for diluted earnings (loss) per share	$ 23,513	21,111	21,578
Basic earnings (loss) per share	$ 0.16	$ (0.75)	$ 0.02
Diluted earnings (loss) per share	$ 0.14	$ (0.75)	$ 0.02

Incremental shares of 1.1 million related to the conversion of subordinated debt have been excluded from the calculation for the year ended December 31, 2003 because the impact of assumed conversion of such subordinated debt is anti-dilutive. Incremental shares of 1.8 million shares related to stock options have been excluded from the diluted earnings (loss) per share calculation for the year ended December 31, 2004 because the impact is anti-dilutive.

In addition, options to purchase 639,000, 305,000 and 908,000 shares of common stock for the years ended December 31, 2005, 2004 and 2003, respectively, were excluded from the calculation of diluted earnings (loss) per share because the option exercise price was greater than the average market price of the shares.

DEFERRAL AND AMORTIZATION OF DEBT ISSUANCE COSTS

Costs related to the issuance of debt are amortized using the interest method over the contractual or expected term of the related debt.

INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return and combined or stand-alone state franchise tax returns for certain states. The Company utilizes the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the future tax consequences attributable to 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. The Company has estimated a valuation allowance against that portion of the deferred tax asset whose utilization in future periods is not more than likely.

PURCHASES OF COMPANY STOCK

The Company records purchases of its own common stock at cost.

STOCK OPTION PLAN

As permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), the Company accounts for stock-based employee compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations, whereby stock options are recorded at intrinsic value equal to the excess of the share price over the exercise price at the date of grant. The Company provides the pro forma net income (loss), pro forma earnings (loss) per share, and stock based compensation plan disclosure requirements set forth in SFAS No. 123. The Company accounts for repriced options as variable awards.

In December 2005, the Compensation Committee of the Board of Directors approved accelerated vesting of all the outstanding stock options issued by the Company. Options to purchase 2,113,998 shares of the Company's 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 the Company's income statement in future periods upon the adoption of Financial Accounting Standards Board Statement No. 123R in January 2006. The Company estimates that approximately $3.5 million of future non-cash compensation expense will be eliminated as a result of the acceleration of vesting.

At the time of the acceleration of vesting, the Company accounted for its stock options in accordance with Accounting Principals Board Opinion No. 25, Accounting for Stock Issued to Employees. Consequently, the acceleration of vesting resulted in non-cash compensation charge of $427,000 for the year ended December 31, 2005.

The per share weighted-average fair value of stock options granted during the years ended December 31, 2005, 2004 and 2003, was $3.07, $2.30, and $2.09, respectively, at the date of grant. That fair value was computed using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2005	2004	2003
Expected life (years)	6.50	6.50	7.63
Risk-free interest rate	4.32 %	4.48%	4.16%
Volatility	56.90 %	54.65%	100.82%
Expected dividend yield	--	--	--

Compensation cost has been recognized for certain stock options in the Consolidated Financial Statements in accordance with APB Opinion No. 25. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock Based Compensation," the Company's net income (loss) and earnings (loss) per share would have been adjusted to the pro forma amounts indicated below.

	Year Ended December 31,		
	2005	2004	2003
	(In thousands, except per share data)		
Net income (loss)			
As reported	$ 3,372	$ (15,888)	$ 395
Pro forma	(648)	(16,808)	175
Earnings (loss) per share - basic			
As reported	$ 0.16	$ (0.75)	$ 0.02
Pro forma	(0.03)	(0.80)	0.01
Earnings (loss) per share - diluted			
As reported	$ 0.14	$ (0.75)	$ 0.02
Pro forma	(0.03)	(0.80)	0.01

SEGMENT REPORTING

Operations are managed and financial performance is evaluated on a Company-wide basis by a chief decision maker. Management has determined that the aggregation criteria of FASB Statement No. 131 have been met and accordingly, all of the Company's operations are aggregated in one reportable segment.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123(R) (As Amended), "Share-Based Payment" ("FAS 123(R)" or the "Statement"). FAS 123 (R) and related interpretations require that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. FAS 123(R) permits entities to use any option-pricing model that meets the fair value objective in the Statement. Modifications of share-based payments will be treated as replacement awards with the cost of the incremental value recorded in the financial statements.

The Statement is effective at the beginning of 2006 and will therefore be effective for the Company's first quarter of 2006. As of the effective date, the Company will apply the Statement using a modified version of prospective application. Under that transition method, compensation cost is recognized for (1) all awards granted after the required effective date and to awards modified, cancelled, or repurchased after that date and (2) the portion of prior awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated for pro forma disclosures under SFAS 123. As a result of the acceleration of vesting on all options outstanding in December 2005 there will be no effect on the Company's adoption of the statement in 2006 relating to such options currently outstanding.

In February 2006, the FASB issued FASB Statement No. 155, "Accounting for Certain Hybrid Instruments". This statement amends the guidance in FASB Statements No. 133, "Accounting for Derivative Instruments and Hedging Activities", and No. 140, ""Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". Statement 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. The Statement also amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. Statement 155 is effective for all financial instruments acquired or issued after January 1, 2007. The Company does not believe the adoption of this statement will have a material effect on the Company's financial position or operations.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of income and expenses during the reported periods. Specifically, a number of estimates were made in connection with determining an appropriate allowance for finance credit losses, valuing the Residuals, computing the related gain on sale on the transactions that created the Residuals, and the recording of the deferred tax asset valuation allowance. These are material estimates that could be susceptible to changes in the near term and accordingly, actual results could differ from those estimates.

(2) RESTRICTED CASH

Restricted cash comprised the following components:

	December 31,	
	2005	2004
	(In thousands)	
Securitization trust accounts	$157,492	$118,944
Litigation reserve	--	5,503
Note purchase facility reserve	20	516
Other	150	150
Total restricted cash	$157,662	$125,113

Certain of the Company's operating agreements require that the Company establish cash reserves for the benefit of the other parties to the agreements, in case those parties are subject to any claims or exposure. In addition, certain of these agreements require that the Company establish amounts in reserve related to outstanding litigation.

(3) FINANCE RECEIVABLES

The following table presents the components of Finance Receivables, net of unearned interest:

Finance Receivables	December 31, 2005	December 31, 2004
	(In thousands)	
Automobile		
Simple Interest	$ 933,510	$ 522,346
Pre-compute, net of unearned interest	54,693	86,932
Finance Receivables, net of unearned interest	988,203	609,278
Less: Unearned acquisition fees and discounts	(16,899)	(16,472)
Finance Receivables	$ 971,304	$ 592,806

Finance receivables totaling $5.1 million and $5.4 million at December 31, 2005 and 2004, respectively, have been placed on non-accrual status as a result of their delinquency status.

The following table presents a summary of the activity for the allowance for credit losses, for the years ended December 31, 2005 and 2004:

	December 31,		
	2005	2004	2003
	(In thousands)		
Balance at beginning of year	$ 42,615	$ 35,889	$ 25,828
Addition to allowance for credit losses from acquisitions	--	--	24,271
Provision for credit losses	58,987	32,574	11,667
Charge-offs	(55,978)	(34,636)	(32,117)
Recoveries	12,104	8,788	6,240
Balance at end of year	$ 57,728	$ 42,615	$ 35,889

(4) RESIDUAL INTEREST IN SECURITIZATIONS

The following table presents the components of the residual interest in securitizations and shown at their discounted amounts:

	December 31,	
	2005	2004
	(In thousands)	
Cash, commercial paper, United States government securities and other qualifying investments (Spread Accounts)	$ 12,748	$ 17,776
Receivables from Trusts (NIRs)	5,798	12,483
Overcollateralization	6,674	16,644
Investment in subordinated certificates	--	3,527
Residual interest in securitizations	$ 25,220	$ 50,430

The following table presents the estimated remaining undiscounted credit losses included in the fair value estimate of the Residuals as a percentage of the Company's managed portfolio held by non-consolidated subsidiaries subject to recourse provisions:

	December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Undiscounted estimated credit losses	$ 5,724	$ 23,588	$ 47,935
Managed portfolio held by non-consolidated subsidiary	103,130	233,621	425,534
Undiscounted estimated credit losses as a percentage of managed portfolio held by non-consolidated subsidiary	5.55%	10.10%	11.30%

The key economic assumptions used in measuring the residual interest in securitizations at the date of securitization in 2003 are as follows: prepayment speed of 21.7%, net credit losses of 12.5%, and a discount rate of 14%. There were no securitizations accounted for as sales for financial accounting purposes in 2004 and 2005.

The key economic assumptions used in measuring all residual interest in securitizations as of December 31, 2005 and 2004 are included in the table below. The pre-tax discount rate remained constant at 14%, except for certain cash flows from charged off receivables related to the Company's securitizations from 2001 to 2003 where the Company has used a discount rate of 25%.

	2005	2004
Prepayment speed (Cumulative)	22.2% - 35.8%	20.0% - 30.5%
Net credit losses (Cumulative)	11.9% - 20.2%	13.0% - 20.5%

Static pool losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets.

Key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10% and 20% adverse changes in those assumptions are as follows:

	December 31, 2005
	(Dollars in thousands)
Carrying amount/fair value of residual interest in securitizations	$ 25,220
Weighted average life in years	2.24
Prepayment Speed Assumption (Cumulative)	22.2% - 35.8%
Estimated fair value assuming 10% adverse change	$ 25,168
Estimated fair value assuming 20% adverse change	25,119
Expected Net Credit Losses (Cumulative)	11.9% - 20.2%
Estimated fair value assuming 10% adverse change	$ 23,937
Estimated fair value assuming 20% adverse change	22,656
Residual Cash Flows Discount Rate (Annual)	14.0% - 25.0%
Estimated fair value assuming 10% adverse change	$ 24,636
Estimated fair value assuming 20% adverse change	24,071

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on 10% and 20% percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market rates may result in lower prepayments and increased credit losses), which could magnify or counteract the sensitivities.

The following table summarizes the cash flows received from (paid to) the Company's unconsolidated securitization Trusts:

	For the Year Ended December 31,		
	2005	2004	2003
	(In thousands)		
Releases of cash from Spread Accounts	$ 7,420	$ 17,175	$ 25,934
Servicing Fees received	4,490	13,631	17,039
Net deposits to increase Credit Enhancement	--	(2,106)	(20,867)
Initial funding of Credit Enhancement	--	--	(18,736)
Purchase of delinquent or foreclosed assets	(22,682)	(44,473)	(45,747)
Repurchase of trust assets	(9,658)	--	--

The following table presents the credit loss and delinquency performance for the serviced portfolio:

	Total Principal Amount of Contracts		Principal Amount of Contracts 60 Days or More Past Due		Net Credit Losses(1) for the Year Ended	
	At December 31,		At December 31,		December 31,	
	2005	2004	2005	2004	2005	2004
	(In thousands)					
Contracts held by consolidated subsidiaries	$1,000,597	$ 619,794	$ 25,864	$ 17,379	$ 36,511	$ 26,418
Contracts held by non-consolidated subsidiaries	103,130	233,621	4,263	10,037	14,184	36,042
SeaWest Third Party Portfolio	18,018	53,463	1,663	5,065	7,386	18,018
Total managed portfolio	$1,121,745	$ 906,878	$ 31,790	$ 32,481	$ 58,081	$ 80,478

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(1) INCLUDES RECOVERIES ON PREVIOUSLY CHARGED OFF MFN CONTRACTS INCLUDED IN OTHER INCOME.

(5) FURNITURE AND EQUIPMENT

The following table presents the components of furniture and equipment:

	December 31,	
	2005	2004
	(In thousands)	
Furniture and fixtures	$ 3,780	$ 3,744
Computer equipment	4,815	4,700
Leasing assets	673	673
Leasehold improvements	666	651
Other fixed assets	17	17
	9,951	9,785
Less: accumulated depreciation and amortization	(8,872)	(8,218)
	$ 1,079	$ 1,567

Depreciation expense totaled $654,000, $660,000 and $878,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

(6) RESTRUCTURING ACCRUALS

MFN MERGER

In connection with the MFN Merger, the Company subsequently terminated the MFN origination activities and consolidated certain activities of MFN. In connection therewith, the Company recognized certain liabilities related to the costs to exit these activities and terminate the affected employees of MFN. These activities include service departments such as accounting, finance, human resources, information technology, administration, payroll and executive management. Of these liabilities recognized at the merger date in the amount of $6.2 million, only the accrual related to facility closures remained outstanding as of December 31, 2005 and 2004 in the amounts of $545,000 and $1.2 million respectively.

TFC MERGER

In connection with the TFC Merger, the Company consolidated certain activities of CPS and TFC. As a result of this consolidation, the Company recognized certain liabilities related to the costs to integrate and terminate affected employees of TFC. These activities include service departments such as accounting, finance, human resources, information technology, administration, payroll and executive management. The total liabilities recognized by the Company at the time of the merger were $4.5 million. These costs include the following:

	December 31, 2005(2)	Activity	December 31, 2004	Activity	December 31, 2003
	(In thousands)				
Severance Payments and consulting contracts (1)	$ 109	$ 309	$ 418	$ 1,908	$ 2,326
Facilities closures	345	477	822	409	1,231
Other obligations	--	--	--	234	234
Total liabilities assumed	$ 454	$ 786	$ 1,240	$ 2,551	$ 3,791

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(1) FOR THE PERIOD FROM DECEMBER 31, 2003 TO DECEMBER 31, 2004 THE ACTIVITY RESULTING IN A CHANGE OF $1.9 MILLION, INCLUDES CHARGES AGAINST THE LIABILITY OF $621,000 AND THE REVERSAL OF $1.3 MILLION OF COSTS THAT THE COMPANY NO LONGER EXPECTS TO INCUR. THE $1.3 WAS RECORDED IN THE STATEMENT OF INCOME AS A REDUCTION OF OPERATING EXPENSES DURING THE YEAR ENDED DECEMBER 31, 2004.
(2) THE COMPANY BELIEVES THAT THIS AMOUNT PROVIDES ADEQUATELY FOR ANTICIPATED REMAINING COSTS RELATED TO EXITING CERTAIN ACTIVITIES OF TFC, AND THAT AMOUNTS INDICATED ABOVE ARE REASONABLY ALLOCATED.

(7) SECURITIZATION TRUST DEBT

The Company has 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 the Company's 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 December 31, 2005	Initial Principal	Outstanding Principal at December 31, 2005	Outstanding Principal at December 31, 2004	Weighted Average Interest Rate at December 31, 2005
MFN 2001-A	June 2007	$ -	$ 301,000	$ -	$ 3,382	-
TFC 2002-1	August 2007	-	64,552	-	2,574	-
TFC 2002-2	March 2008	-	62,589	-	9,152	-
TFC 2003-1	January 2009	7,779	52,365	6,557	17,703	2.69%
CPS 2003-C	March 2010	32,063	87,500	30,550	53,456	3.57%
CPS 2003-D	October 2010	31,203	75,000	29,688	50,722	3.50%
CPS 2004-A	October 2010	40,316	82,094	40,225	66,737	3.62%
PCR 2004-1	March 2010	28,068	76,257	22,873	52,633	3.52%
CPS 2004-B	February 2011	53,330	96,369	52,704	84,185	4.17%
CPS 2004-C	April 2011	62,360	100,000	61,779	93,071	3.86%
CPS 2004-D	December 2011	84,034	120,000	82,801	109,200	4.44%
CPS 2005-A	October 2011	109,749	137,500	110,021	N/A	4.93%
CPS 2005-B	February 2012	121,440	130,625	113,194	N/A	4.16%
CPS 2005-C	May 2012	186,021	183,300	173,509	N/A	4.61%
CPS 2005-TFC	July 2012	78,991	72,525	72,525	N/A	5.72%
CPS 2005-D (2)	July 2012	86,083	127,600	127,600	N/A	4.98%
		$ 921,437	$ 1,769,276	$ 924,026	$ 542,815	

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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 $328.7 MILLION IN 2006, $223.7 MILLION IN 2007, $160.5 MILLION IN 2008, $114.6 MILLION IN 2009, $75.1 MILLION IN 2010, AND $21.4 MILLION IN 2011.

(2) RECEIVABLES PLEDGED AT DECEMBER 31, 2005 EXCLUDES APPROXIMATELY $58.0 MILLION IN CONTRACTS DELIVERED TO THE TRUST IN JANUARY 2006 PURSUANT TO A PRE-FUNDING STRUCTURE.

All of the securitization trust debt was issued in private placement transactions to qualified institutional investors. The debt was issued through wholly-owned, bankruptcy remote subsidiaries of CPS, TFC or MFN, and is secured by the assets of such subsidiaries, but not by other assets of the Company. Principal and interest payments are guaranteed by financial guaranty insurance policies.

The terms of the various Securitization Agreements related to the issuance of the securitization trust debt require that certain delinquency and credit loss criteria be met with respect to the collateral pool, and require that the Company maintain minimum levels of liquidity and net worth and not exceed maximum leverage levels and maximum financial losses. As a result of waivers and amendments to these covenants throughout 2004 and 2005, the Company was in compliance with all such covenants as of December 31, 2005. Without the waivers and amendments obtained in the first quarter of 2005, the Company would have been in breach of covenants related to maintaining a minimum level of net worth and incurring a maximum financial loss as of December 31, 2004.

The Company is responsible for the administration and collection of the 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 December 31, 2005, restricted cash under the various agreements totaled approximately $157.5 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. Deferred financing costs related to the securitization trust debt are amortized in proportion to the principal distributed to the noteholders. Accordingly, the effective cost of borrowing of the securitization trust debt is greater than the stated rate of interest.

The wholly-owned, bankruptcy remote subsidiaries of CPS, MFN and TFC were formed to facilitate the above asset-backed financing transactions. Similar bankruptcy remote subsidiaries issue the debt outstanding under the Company's 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 the Company or its affiliates.

(8) DEBT

The terms of the Company's significant debt outstanding at December 31, 2005 and 2004 are summarized below:

	DECEMBER 31,	
	2005	2004
	(In thousands)	
RESIDUAL INTEREST FINANCING		
Notes secured by the Company's residual interests in its securitizations. The notes outstanding at December 31, 2004 were secured by eight securitization transactions and bore interest at 10.0% per annum. The notes outstanding at December 31, 2005 are secured by ten securitizations and bear interest at a blended interest rate of 8.36% per annum. In each period, the securitizations pledged include both sale transactions and secured financing transactions. The notes are non-recourse obligations of the Company with interest and principal to be paid solely from the cash distributions on the retained interests securing the notes. The notes outstanding at December 31, 2004 were issued in March 2004 with issuance costs of $1.3 million and were repaid in full in August 2005. The notes outstanding at December 31, 2005 were issued in November 2005 with issuance costs of $915,000 and have a final maturity of July 2011.	$ 43,745	$ 22,204
SENIOR SECURED DEBT, RELATED PARTY		
Notes payable to Levine Leichtman Capital Partners II, L.P. ("LLCP"). The notes consists of separate term notes that each bear interest at 11.75% per annum, require monthly interest payments and are due on various dates through December 2006, after having been amended from higher rates and earlier maturities. The Company incurred issuance and amendment fees aggregating $1.3 million in relation to these notes. The notes are secured by all assets of the Company that are not pledged to securitization debt, and are the last in a series of borrowings from LLCP that have taken place since November 1998, which have also included the issuances to LLCP of warrants to purchase the Company's common stock. As of December 31, 2005 and 2004, a warrant to purchase 1,000 shares of common stock at $0.01 per share remained outstanding which expire in April 2009.	$ 40,000	$ 59,829
SUBORDINATED DEBT		
Notes bearing interest at 12.50% per annum and 12.00% per annum at December 31, 2005 and 2004 respectively. The Company incurred issuance costs of $1.1 million when the notes were issued in December 1995. The $14.0 million outstanding was repaid on its maturity date in January 2006.	$ 14,000	$ 15,000
RENEWABLE SUBORDINATED NOTES		
Notes bearing interest ranging from 5.60% to 11.15%, with a weighted average rate of 8.53%, and with maturities from January 2006 to November 2015 with a weighted maturity of January 2008. The Company began issuing the notes in June 2005 and incurred issuance costs of $250,000. Payments may be required monthly, quarterly, annually or upon maturity based on the terms of the individual notes.	$ 4,655	$ --
	$ 102,400	$ 97,033

The costs incurred in conjunction with the above debt are recorded as deferred financing costs on the accompanying balance sheets and is more fully described in Note 1.

The Company must comply with certain affirmative and negative covenants related to debt facilities, which require, among other things, that the Company maintain certain financial ratios related to liquidity, net worth and capitalization. Further covenants include matters relating to investments, acquisitions, restricted payments and certain dividend restrictions.

The following table summarizes the contractual maturity amounts of debt as of December 31, 2005:

Contractual maturity date	Residual interest financing (1)	Senior secured debt	Subordinated debt	Renewable subordinated notes	Total
2006	$ 17,986	$ 40,000	$ 14,000	$ 1,643	$ 73,629
2007	14,435	--	--	909	15,344
2008	7,644	--	--	1,562	9,206
2009	3,680	--	--	171	3,851
2010	--	--	--	279	279
Thereafter	--	--	--	91	91
	$ 43,745	$ 40,000	$ 14,000	$ 4,655	$102,400

- ------------------
(1) THE CONTRACTUAL MATURITY DATE FOR THE RESIDUAL INTEREST FINANCING IS JULY 2011. THE NOTES ARE EXPECTED TO BE PAID PRIOR TO THAT DATE, BASED ON THE AMORTIZATION OF THE RELATED SECURITIZATIONS. SINCE THE AMORTIZATION OF THE RELATED SECURITIZATIONS IS BASED ON THE PERFORMANCE OF THE UNDERLYING FINANCE RECEIVABLES, THERE CAN BE NO ASSURANCE AS TO THE EXACT TIMING OF PAYMENTS.

(9) SHAREHOLDERS' EQUITY

COMMON STOCK

Holders of common stock are entitled to such dividends as the Company's Board of Directors, in its discretion, may declare out of funds available, subject to the terms of any outstanding shares of preferred stock and other restrictions. In the event of liquidation of the Company, holders of common stock are entitled to receive, pro rata, all of the assets of the Company available for distribution, after payment of any liquidation preference to the holders of outstanding shares of preferred stock. Holders of the shares of common stock have no conversion or preemptive or other subscription rights and there are no redemption or sinking fund provisions applicable to the common stock.

The Company is required to comply with various operating and financial covenants defined in the agreements governing the warehouse lines of credit, senior debt, and subordinated debt. The covenants restrict the payment of certain distributions, including dividends (See Note 8.).

Included in common stock at December 31, 2003, is additional paid in capital of $1.6 million related to the valuation of certain stock options as required by Financial Interpretation No. 44 ("FIN 44") or the valuation of conditionally granted options as required under Accounting Principals Board Opinion No. 25 ("APB 25"). Included in compensation expense for the years ended December 31, 2005, 2004 and 2003, is $644,000, $271,000 and $1.1 million related to the amortization of deferred compensation expense and valuation of stock options.

STOCK PURCHASES

During 2000, the Company's Board of Directors authorized the Company to purchase up to $5 million of Company securities. In October 2002, the Board of Directors authorized the purchase of an additional $5 million of outstanding debt or equity securities. In October 2004, the Board of Directors authorized the purchase of an additional $5.0 million of outstanding debt or equity securities. As of December 31, 2005, the Company had purchased $5.0 million in principal amount of the debt securities, and $5.0 million of its common stock, representing 2,365,695 shares.

OPTIONS AND WARRANTS

In 1991, the Company adopted and its sole shareholder approved the 1991 Stock Option Plan (the "1991 Plan") pursuant to which the Company's Board of Directors may grant stock options to officers and key employees. The Plan, as amended, authorizes grants of options to purchase up to 2,700,000 shares of authorized but unissued common stock. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. Stock options have terms that range from 7 to 10 years and vest over a range of 0 to 7 years. In addition to the 1991 Plan, in fiscal 1995, the Company granted 60,000 options to certain directors of the Company that vest over three years and expire nine years from the grant date. The Plan terminated in December 2001, without affecting the validity of the outstanding options.

In July 1997, the Company adopted and its shareholders approved the 1997 Long-Term Incentive Plan (the "1997 Plan") pursuant to which the Company's Board of Directors may grant stock options, restricted stock and stock appreciation rights to employees, directors or employees of entities in which the Company has a controlling or significant equity interest. Options that have been granted under the 1997 Plan have been granted at an exercise price equal to (or greater than) the stock's fair market value at the date of the grant, with terms of 10 years and vesting generally over 5 years. In 2001, the shareholders of the Company approved an amendment to the 1997 Plan providing that an aggregate maximum of 3,400,000 shares of the Company's common shares may be subject to awards under the 1997 Plan. In 2003, the shareholders of the Company approved an amendment to the 1997 Plan to further increase the aggregate maximum number of shares that may be granted within the Plan to 4,900,000 shares. A further increase to 6,900,000 shares in the aggregate maximum number of shares that may be granted was approved by the shareholders in 2004.

In October 1998, the Company's Board of Directors approved a plan to cancel and reissue certain stock options previously granted to key employees of the Company. All options granted prior to October 22, 1998, with an option price greater than $3.25 per share, were repriced to $3.25 per share. In conjunction with the repricing, a one-year period of non-exercisability was placed on all repriced options, which period ended on October 21, 1999.

In October 1999, the Company's Board of Directors approved a plan to cancel and reissue certain stock options previously granted to key employees of the Company. All options granted prior to October 29, 1999, with an option price greater than $0.625 per share, were repriced to $0.625 per share. In conjunction with the repricing, a six-month period of non-exercisability was placed on all repriced options, which period ended on April 29, 2000.

At December 31, 2005, there were a total of 165,261 additional shares available for grant under the 1997 Plan and the 1991 Plan. Of the options outstanding at December 31, 2005, 2004 and 2003, 4,863,654, 1,611,182, and 1,168,042, respectively, were then exercisable, with weighted-average exercise prices of $3.38, $2.25, and $1.71, respectively.

Stock option activity during the periods indicated is as follows:

	Number of Shares	Weighted Average Exercise Price
	(In thousands, except per share data)	
Balance at December 31, 2002	4,032	$ 1.64
Granted	1,013	2.46
Exercised	609	0.93
Canceled	564	1.69
Balance at December 31, 2003	3,872	1.96
Granted	958	3.96
Exercised	575	1.23
Canceled	173	2.29
Balance at December 31, 2004	4,082	2.52
Granted	1,451	5.39
Exercised	415	2.08
Canceled	254	3.17
Balance at December 31, 2005	4,864	$ 3.38

The per share weighted average fair value of stock options granted whose exercise price was equal to the market price of the stock on the grant date during the years ended December 31, 2005, 2004 and 2003, was $2.77, $2.30, and $2.09, respectively.

The per share weighted average fair value and exercise price of stock options granted whose exercise price was above the market price of the stock on the grant date during the year ended December 31, 2005 was $3.61 and $6.00, respectively. The Company did not issue any stock options above the market price of the stock during the year ended December 31, 2004 and 2003.

The Company did not issue any stock options below the market price of the stock on the grant date.

During 2002, the Company's Board of Directors approved a program whereby officers of the Company would be loaned amounts sufficient to enable them to exercise certain of their outstanding options. See Note 13.

At December 31, 2005, the range of exercise prices, the number, weighted-average exercise price and weighted-average remaining term of options outstanding and the number and weighted-average price of options currently exercisable are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (per share)	Number Outstanding	Weighted Average Remaining Term (Years)	Weighted Average Exercise Price Per Share	Number Exercisable	Weighted Average Exercise Price Per Share
	(In thousands, except per share data)				
$0.63 - $1.50	858	6.43	$ 1.47	858	$ 1.47
$1.51 - $2.50	1,092	5.61	1.93	1,092	1.93
$2.51 - $4.00	1,225	8.00	3.46	1,225	3.46
$4.01 - $5.04	1,035	8.53	4.74	1,035	4.74
$5.05 - $6.10	654	9.90	5.99	654	5.99

On November 17, 1998, in conjunction with the issuance of a $25.0 million subordinated promissory note to an affiliate of LLCP, the Company issued warrants to purchase up to 3,450,000 shares of common stock at $3.00 per share, exercisable through November 30, 2005. In April 1999, in conjunction with the

issuance of $5.0 million of an additional subordinated promissory note to an affiliate of LLCP, the Company issued additional warrants to purchase 1,335,000 shares of the Company's common stock at $0.01 per share to LLCP. As part of the purchase agreement, the existing warrants to purchase 3,450,000 shares at $3.00 per share were exchanged for warrants to purchase 3,115,000 shares at a price of $0.01 per share. The aggregate value of the warrants, $12.9 million, which is comprised of $3.0 million from the original warrants issued in November 1998 and $9.9 million from the repricing and additional warrants issued in April 1999, is reported as deferred interest expense to be amortized over the expected life of the related debt, five years. As of December 31, 2005 and 2004, 1,000 warrants remained unexercised which expire in April 2009. Such warrants, and the 4,449,000 shares of common stock have, upon the exercise of such warrants, not been registered for public sale. However, the holder has the right to require the Company register the warrants and common stock for public sale in the future.

Also in November 1998, the Company entered into an agreement with the Note Insurer of its asset-backed securities. The agreement committed the Note Insurer to provide insurance for the securitization of $560.0 million in asset-backed securities, of which $250.0 million remained at December 31, 1998. The agreement provides for a 3% initial Spread Account deposit. As consideration for the agreement, the Company issued warrants to purchase up to 2,525,114 shares of common stock at $3.00 per share, subject to anti-dilution adjustments. The warrants were fully exercisable on the date of grant and expired in December 2003. In November 2003, the Company purchased the warrants from the Note Insurer for $896,415.

The Company on August 4, 2005, issued six-year warrants with respect to 272,000 shares of its common stock, in a transaction exempted from the registration requirements of the Securities Act of 1933 as a transaction not involving a public offering. The warrants are exercisable at $4.85 per share, and were issued to the lender's nominee in settlement of a claim against the Company that arose out of a loan of $500,000 made in September 1998. The Company and the claimant dispute whether the loan was to the Company or to Stanwich Financial Services Corp. ("Stanwich"). The Company received in exchange for the warrants an assignment of the lender's claim in bankruptcy against Stanwich, as well as a release of all claims against the Company. The Company estimated the value of the warrants to be $794,000 using a Black-Scholes model, assuming a risk-free interest rate of 3.41%, a six year life and stock price volatility of 63%. The Company included the value of the warrant, net of a previously recorded accrual of $500,000, in general & administrative expense for the year ended December 31, 2005.

(10) NET GAIN ON SALE OF CONTRACTS

The following table presents the components of the net gain on sale of Contracts:

	Year Ended December 31, 2003
	(In thousands)
Gain recognized on sale of Contracts	$ 8,433
Deferred acquisition fees and discounts	4,590
Expenses related to sales	(2,076)
Provision for credit losses	(526)
Net gain on sale of Contracts	$ 10,421

No gain on sale was recorded in the year ended December 31, 2005 and 2004 due to the decision in July 2003 to structure future securitizations as secured financings, rather than as sales.

(11) INTEREST INCOME

The following table presents the components of interest income:

	Year Ended December 31,		
	2005	2004	2003
	(In thousands)		
Interest on Finance Receivables	$163,552	$ 99,701	$ 40,380
Residual interest income	5,338	4,634	16,178
Other interest income	2,944	1,483	1,606
Net interest income	$171,834	$105,818	$ 58,164

As a result of the uncertainty of collection of the residual assets, the Company ceased accruing interest on the residual assets from May 2004 through December 2004. In January 2005, the Company resumed accretion of interest on the residual assets after it determined that there was no longer any significant uncertainty as to the collection of the assets.

(12) INCOME TAXES

Income taxes consist of the following:

	Year Ended December 31,		
	2005	2004	2003
	(In thousands)		
Current:			
Federal	$ 5,340	$ 712	$ 2,781
State	$ 1,687	862	356
	7,027	1,574	3,137
Deferred:			
Federal	(3,537)	(5,859)	(25,345)
State	(2,114)	(2,282)	(4,141)
Change in valuation allowance	(1,376)	6,567	22,915
	(7,027)	(1,574)	(6,571)
Income tax benefit	$ --	$ --	$ (3,434)

The Company's effective tax expense/(benefit) for the years ended December 31, 2005, 2004 and 2003, differs from the amount determined by applying the statutory federal rate of 35% to income (loss) before income taxes as follows:

	Year Ended December 31,		
	2005	2004	2003
	(In thousands)		
Expense (benefit) at federal tax rate	$ 1,180	$ (5,561)	$ (1,064)
State franchise tax, net of federal income tax benefit	(277)	(1,015)	(2,460)
Other	473	9	92
Debt Forgiveness	--	--	(22,917)
Valuation allowance	(1,376)	6,567	22,915
	$ --	$ --	$ (3,434)

The tax effected cumulative temporary differences that give rise to deferred tax assets and liabilities as of December 31, 2005 and 2004 are as follows:

	December 31,	
	2005	2004
	(In thousands)	
Deferred Tax Assets:		
Finance receivables	$ 21,493	$ 18,090
Provision for loan loss	961	--
Accrued liabilities	3,141	5,751
Furniture and equipment	189	1,016
Equity investment	--	82
NOL carryforwards and BILs	24,137	27,702
Minimum tax credit	--	697
Pension Accrual	1,313	801
Other	1,830	831
Total deferred tax assets	53,064	54,970
Valuation allowance	(43,724)	(45,100)
	9,340	9,870
Deferred Tax Liabilities:		
NIRs	(1,808)	(1,407)
Provision for loan loss	--	(8,463)
Total deferred tax liabilities	(1,808)	(9,870)
Net deferred tax asset	$ 7,532	$ --

As part of the MFN Merger, CPS acquired certain net operating losses and built-in loss assets. Moreover, MFN has undergone an ownership change for purposes of Internal Revenue Code ("IRC") section 382. In general, IRC section 382 imposes an annual limitation on the ability of a loss corporation (i.e., a corporation with a net operating loss ("NOL") carryforward, credit carryforward, or certain built-in losses ("BILs")) to utilize its pre-change NOL carryforwards or BILs to offset taxable income arising after an ownership change. During 1999, MFN recorded an extraordinary gain from the discharge of indebtedness related to the emergence from Bankruptcy. This gain was not taxable under IRC section 108. In accordance with the rules under IRC section 108, MFN has reduced certain tax attributes including unused net operating losses and tax basis in certain MFN assets. Deferred taxes have been provided for the estimated tax effect of the future reversing timing differences related to the discharge of indebtedness gain as reduced by the tax attributes. Additionally, the Company has established a valuation allowance of $31.0 million against MFN's deferred tax assets, as it is not more than likely that these amounts will be realized in the future.

As part of the TFC Merger, CPS acquired certain built in loss assets. Moreover, TFC has undergone an ownership change for purposes of Internal Revenue Code ("IRC") section 382. In general, IRC section 382 imposes an annual limitation on the ability of a loss corporation (i.e., a corporation with a net operating loss ("NOL") carryforward, credit carryforward, or certain built-in losses ("BILs")) to utilize its pre-change NOL carryforwards or BILs to offset taxable income arising after an ownership change. Additionally, the Company has established a valuation allowance of $10.0 million against TFC's deferred tax assets, as it is not more than likely that these amounts will be realized in the future.

In determining the possible future realization of deferred tax assets the Company considers the taxes paid in the current and prior years that may be available to recapture as well as future taxable income from the following sources: (a) reversal of taxable temporary differences, (b) future operations exclusive of reversing temporary differences, and (c) tax planning strategies that, if necessary, would be implemented to accelerate taxable income into years in which net operating losses might otherwise expire.

As of December 31, 2005, the Company has net operating loss carryforwards for federal and state income tax purposes of $10.2 million (all of which is subject to IRC 382 limitations) and $4.2 million, respectively, which are available to offset future taxable income, if any, subject to IRC section 382 limitations, through 2021 and 2012-2013, respectively.

The statute of limitations on certain of the Company's tax returns are open and the returns could be audited by the various tax authorities. From time to time, there may be differences in opinions with respect to the tax treatment accorded to certain transactions. When, and if, such differences occur and become probable and estimable, such amounts will be recognized.

(13) RELATED PARTY TRANSACTIONS

CPS LEASING, INC. RELATED PARTY DIRECT LEASE RECEIVABLES

Included in other assets in the Company's Consolidated Balance Sheet are direct lease receivables due to CPS Leasing, Inc. from related parties, primarily companies affiliated with the Company's former Chairman of the Board of Directors. Such related party direct lease receivables net of a valuation allowance totaled approximately $552,000 and $1.8 million at December 31, 2005 and 2004, respectively.

LOANS TO OFFICERS TO EXERCISE CERTAIN STOCK OPTIONS

During 2002, the Company's Board of Directors approved a program under which officers of the Company would be advanced amounts sufficient to enable them to exercise certain of their outstanding options. Such loans were available for a limited period of time, and available only to exercise previously repriced options. The loans bear interest at a rate of 5.50% per annum, and are due in 2007. At December 31, 2005 and 2004, there was $434,000 and $454,000, respectively outstanding related to these loans. Such amounts have been recorded as contra-equity within common stock in the Shareholders' Equity section of the Company's Consolidated Balance Sheet.

(14) COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases its facilities and certain computer equipment under non-cancelable operating leases, which expire through 2010. Future minimum lease payments at December 31, 2005, under these leases are due during the years ended December 31 as follows:

	Amount
	(In thousands)
2006	$ 4,353
2007	3,781
2008	2,407
2009	341
2010	203
Total minimum lease payments	$ 11,085

Rent expense for the years ended December 31, 2005, 2004 and 2003, was $3.4million, $3.5 million, and $3.9 million, respectively.

The Company's facility lease contains certain rental concessions and escalating rental payments, which are recognized as adjustments to rental expense and are amortized on a straight-line basis over the term of the lease.

During 2005, 2004 and 2003, the Company received $482,000, $385,000 and $170,000, respectively, of sublease income, which is included in occupancy expense. Future minimum sublease payments totaled $507,000 at December 31, 2005.

LITIGATION

STANWICH LITIGATION. CPS was 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 the former chairman of the board of directors of CPS, is the entity that was obligated to pay the Settlement Payments. Stanwich has 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. At December 31, 2004, CPS was a defendant only in a cross-claim brought by one of the other defendants in the case, Bankers Trust Company, which asserted a claim of contractual indemnity against CPS.

CPS subsequently settled the cross-claim of Bankers Trust by payment of $3.24 million, on or about February 8, 2005. Pursuant to that settlement, the court has dismissed the cross-claim, with prejudice. The amount paid by the Company was accrued for and included in Accounts payable and accrued expenses in the Company's balance sheet as of December 31, 2004.

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

The reader should consider that any adverse judgment against CPS in the Stanwich Case (or the related case in Rhode Island) for indemnification, in an amount materially in excess of any liability already recorded in respect thereof, could have a material adverse effect on the Company's financial position.

OTHER LITIGATION. On June 2, 2004, Delmar Coleman filed a lawsuit in the circuit court of Tuscaloosa, Alabama, , alleging that plaintiff Coleman was harmed by an alleged failure to refer, in the notice given after repossession of his vehicle, to the right to purchase the vehicle by tender of the full amount owed under the retail installment contract. Plaintiff seeks damages in an unspecified amount, on behalf of a purported nationwide class. CPS removed the case to federal bankruptcy court, and filed a motion for summary judgment as part of its adversary proceeding against the plaintiff in the bankruptcy court. The federal bankruptcy court granted the plaintiff's motion to send the matter back to Alabama state court. CPS has appealed the ruling. Although CPS believes that it has one or more defenses to each of the claims made in this lawsuit, no discovery has yet been conducted and the case is still in its earliest stages. Accordingly, there can be no assurance as to its outcome.

In June 2004, Plaintiff Jeremy Henry filed a lawsuit against the Company in the California Superior Court, San Diego County, alleging improper practices related to the notice given after repossession of a vehicle that he purchased. Plaintiff's motion for a certification of a class has been denied, and is the subject of an appeal now before the California Court of Appeal. Irrespective of the outcome of that appeal, as to which there can be no assurance, the Company has a number of defenses that may be asserted with respect to the claims of plaintiff Henry.

In August and September 2005, two plaintiffs represented by the same law firm filed substantially identical lawsuits in the federal district court for the northern district of Illinois, each of which purports to be a class action, and each of which alleges that CPS improperly accessed consumer credit information. CPS has reached agreements in principle to settle these cases, which await confirmation by the court.

The Company has recorded a liability as of December 31, 2005 that it believes represents a sufficient allowance for legal contingencies. Any adverse judgment against the Company, if in an amount materially in excess of the recorded liability, could have a material adverse effect on the financial position of the Company. The Company is involved in various legal matters arising in the normal course of business. Management believes that any liability as a result of those matters would not have a material effect on the Company's financial position, Results of Operations or Cash Flows.

(15) EMPLOYEE BENEFITS

The Company sponsors a pretax savings and profit sharing plan (the "401(k) Plan") qualified under section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, eligible employees are able to contribute up to 15% of their compensation (subject to stricter limitation in the case of highly compensated employees). The Company may, at its discretion, match 100% of employees' contributions up to $1,000 per employee per calendar year. The Company's contributions to the 401(k) Plan were $439,000 and $409,000 for the year ended December 31, 2005 and 2004, respectively. The Company did not make a matching contribution in 2003.

The Company also sponsors the MFN Financial Corporation Pension Plan ("the Plan"). The Plan benefits were frozen June 30, 2001. The following table sets forth the plan's benefit obligations, fair value of plan assets, and funded status at December 31, 2005 and 2004:

	December 31,	
	2005	2004
	(In thousands)	
Change in Projected Benefit Obligation		
Projected benefit obligation, beginning of year	$ 13,683	$ 15,023
Service cost	--	--
Interest cost	845	821
Actuarial (gain) loss	1,867	(1,616)
Benefits paid	(596)	(545)
Projected benefit obligation, end of year	$ 15,799	$ 13,683

The accumulated benefit obligation for the plan was $15.8 million and $13.7 million at December 31, 2005 and 2004, respectively.

Change in Plan Assets		
Fair value of plan assets, beginning of year	$ 13,287	$ 11,253
Return on assets	973	1,483
Employer contribution	207	1,149
Expenses	(59)	(53)
Benefits paid	(596)	(545)
Fair value of plan assets, end of year	$ 13,812	$ 13,287

	December 31, 2005	December 31, 2004
	(In thousands)	
Reconciliation of funded status of the plan and net amount recognized		
Funded status of the plan	$ (1,987)	$ (396)
Unrecognized loss	4,071	2,062
Unrecognized transition asset	(11)	(46)
Unrecognized prior service cost	--	--
Net amount recognized	$ 2,073	$ 1,620

Weighted average assumptions used to determine benefit obligations and cost at December 31, 2005 and 2004 were as follows:

Weighted average assumptions used to determine benefit obligations		
Discount rate	5.50%	6.25%
Rate of compensation increase	N/A	N/A
Weighted average assumptions used to determine net periodic benefit cost		
Discount rate	5.50%	6.25%
Expected return on plan assets	8.50%	9.00%
Rate of compensation increase	N/A	N/A

The Company's overall expected long-term rate of return on assets is 8.50% per annum as of December 31, 2005. The expected long-term rate of return is based on the weighted average of historical returns on individual asset categories, which are described in more detail below.

Amounts recognized on Consolidated Balance Sheet		
Prepaid benefit cost	$ --	$ --
Accrued benefit liability	(1,987)	(396)
Intangible asset	--	--
Accumulated other comprehensive loss, pretax	4,060	2,016
Net amount recognized	$ 2,073	$ 1,620
Components of net periodic benefit cost		
Service cost	$ --	$ --
Interest Cost	845	821
Expected return on assets	(1,104)	(1,041)
Amortization of transition (asset)/obligation	(35)	(35)
Amortization of prior service cost	--	--
Recognized net actuarial loss	48	69
Net periodic benefit cost	$ (246)	$ (186)
Unfunded Accumulated Benefit Obligation at Year-End		
Projected Benefit Obligation	$ 15,799	$ 13,683
Accumulated Benefit Obligation	15,799	13,683
Fair Value of Plan Assets	13,812	13,288

The weighted average asset allocation of the Company's pension benefits at December 31, 2005 and 2004 were as follows:

Weighted Average Asset Allocation at Year-End

Asset Category		
Domestic equity funds	61.9%	60.9%
International equity funds	13.1%	11.9%
Domestic fixed income funds	25.0%	27.1%
Other	0.0%	0.1%
Total	100.0%	100.0%

Cash Flows

Expected Benefit Payouts	
2006	$ 476
2007	$ 511
2008	$ 570
2009	$ 574
2010	$ 593
Years 2011 - 2015	$ 3,859
Anticipated Contributions in 2006	$ --

The Company's investment policies and strategies for the pension benefits plan utilize a target allocation of 70% equity securities and 30% fixed income securities. The Company's investment goals are to maximize returns subject to specific risk management policies. The Company addresses risk management and diversification by the use of a professional investment advisor and several sub-advisors which invest in domestic and international equity securities and domestic fixed income securities. Each sub-advisor focuses its investments within a specific sector of the equity or fixed income market. For the sub-advisors focused on the equity markets, the sectors are differentiated by the market capitalization and the relative valuation of the underlying issuer. For the sub-advisors focused on the fixed income markets, the sectors are differentiated by the credit quality and the maturity of the underlying fixed income investment. The investments made by the sub-advisors are readily marketable and can be sold to fund benefit payment obligations as they become payable.

(16) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following summary presents a description of the methodologies and assumptions used to estimate the fair value of the Company's financial instruments. Much of the information used to determine fair value is highly subjective. When applicable, readily available market information has been utilized. However, for a significant portion of the Company's financial instruments, active markets do not exist. Therefore, considerable judgments were required in estimating fair value for certain items. The subjective factors include, among other things, the estimated timing and amount of cash flows, risk characteristics, credit quality and interest rates, all of which are subject to change. Since the fair value is estimated as of December 31, 2005 and 2004, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be significantly different. The estimated fair values of financial assets and liabilities at December 31, 2005 and 2004, were as follows:

Financial Instrument	December 31, 2005 Carrying Value	December 31, 2005 Fair Value	December 31, 2004 Carrying Value	December 31, 2004 Fair Value
	(In thousands)			
Cash and cash equivalents	$ 17,789	$ 17,789	$ 14,366	$ 14,366
Restricted cash and cash equivalents	157,662	157,662	125,113	125,113
Finance receivables, net	913,576	913,576	550,191	550,191
Residual interest in securitizations	25,220	25,220	50,430	50,430
Accrued interest receivable	10,930	10,930	6,411	6,411
Note receivable and accrued interest	2,178	2,178	2,800	2,800
Warehouse lines of credit	35,350	35,350	34,279	34,279
Notes payable	211	211	1,421	1,421
Residual interest financing	43,745	43,745	22,204	22,204
Securitization trust debt	924,026	914,901	542,815	539,749
Senior secured debt	40,000	40,000	59,829	59,829
Subordinated renewable notes	4,655	4,655	--	--
Subordinated debt	14,000	14,000	15,000	15,113

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The carrying value equals fair value.

FINANCE RECEIVABLES, NET

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

RESIDUAL INTEREST IN SECURITIZATIONS

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

ACCRUED INTEREST RECEIVABLE

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

NOTE RECEIVABLE

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

WAREHOUSE LINES OF CREDIT, NOTES PAYABLE, RESIDUAL INTEREST FINANCING, AND SENIOR SECURED DEBT AND SUBORDINATED RENEWABLE NOTES

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

SECURITIZATION TRUST DEBT

The fair value is estimated by discounting future cash flows using interest rates that the Company believes reflect the current market rates.

SUBORDINATED DEBT

The fair value is based on a market quote.

(17) LIQUIDITY

The Company's business requires substantial cash to support its purchases of Contracts and other operating activities. The Company's primary sources of cash have been cash flows from operating activities, including proceeds from sales of Contracts, amounts borrowed under various revolving credit facilities (also sometimes known as warehouse credit facilities), servicing fees on portfolios of Contracts previously sold in securitization transactions or serviced for third parties, customer payments of principal and interest on finance receivables, fees for origination of Contracts, and releases of cash from securitized portfolios of Contracts in which the Company has retained a residual ownership interest and from the Spread Accounts associated with such pools. The Company's primary uses of cash have been the purchases of 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 Accounts and initial overcollateralization, if any, 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 the Company's cash demands. The sufficiency of internally generated cash will depend on the performance of securitized pools (which determines the level of releases from those portfolios and their related Spread Accounts), the rate of expansion or contraction in the Company's managed portfolio, and the terms upon which the Company is able to acquire, sell, and borrow against Contracts.

Net cash provided by operating activities for the years ended December 31, 2005, 2004 and 2003 was $36.7 million, $9.9 million and $98.9 million, respectively. Cash from operating activities is generally provided by the net releases from the Company's securitization Trusts. The increase in 2005 vs. 2004 is due in part to the Company's increased net earnings before the significant increase in the provision for credit losses. The decrease in 2004 vs. 2003 is primarily the result of the Company's decision, in July 2003, to treat all of its future securitizations as secured financings. As a result 2005 and 2004 includes no activity related to Contracts held for sale.

Net cash used in investing activities for the years ended December 31, 2005, 2004 and 2003, was $411.7 million, $314.0 million, and $178.9 million, respectively. Cash used in investing activities has generally related to purchases of Contracts, the cost of the SeaWest Asset Acquisition and the acquisition of TFC. Purchase of finance receivables held for investors were $691.3, $506.0 and $175.3 in 2005, 2004 and 2003, respectively. Cash used in the TFC Merger, net of the cash acquired in the transaction, totaled $10.2 million for the year ended December 31, 2003.

Net cash provided by financing activities for the year ended December 31, 2005, was $378.4 million compared with $285.3 million in 2004 and $80.3 million for the year ended December 31, 2003. Cash used or provided by financing activities is primarily attributable to the issuance or repayment of debt. In connection with the TFC Merger the Company assumed securitization trust debt related to

three securitization transactions held by consolidated subsidiaries and assumed additional subordinated debt. With the change in the securitization structure implemented in the third quarter of 2003, $662.4 million of securitization trust debt was issued in 2005 as compared to $474.7 million in 2004 and $154.4 million in 2003.

Contracts are purchased from Dealers for a cash price approximating their principal amount, adjusted for an acquisition fee which may either increase or decrease the Contract purchase price, and generate cash flow over a period of years. As a result, the Company has been dependent on warehouse credit facilities to purchase Contracts, and on the availability of cash from outside sources in order to finance its continuing operations, as well as to fund the portion of Contract purchase prices not financed under revolving warehouse credit facilities. As of December 31, 2005, the Company had $350 million in warehouse credit capacity, in the form of a $200 million facility and a $150 million facility. The first facility provides funding for Contracts purchased under the TFC Programs while both warehouse facilities provide funding for Contracts purchased under the CPS Programs. A third facility in the amount of $125 million, which the Company utilized to fund Contracts under the CPS and TFC Programs was terminated by the Company on June 29, 2005

The $150 million warehouse facility is structured to allow CPS to fund a portion of the purchase price of Contracts by drawing against a floating rate variable funding note issued by its consolidated subsidiary Page Three Funding, LLC. This facility was established on November 15, 2005, and expires on November 14, 2006, although it is renewable with the mutual agreement of the parties. Up to 80% of the principal balance of Contracts may be advanced to the Company under this facility, subject to collateral tests and certain other conditions and covenants. Notes under this facility accrue interest at a rate of one-month LIBOR plus 2.00% per annum. At December 31, 2005, $34.5 million was outstanding under this facility.

The $200 million warehouse facility is similarly structured to allow CPS to fund a portion of the purchase price of Contracts by drawing against a floating rate variable funding note issued by its 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 Contracts purchased under the TFC Programs. It was increased again to $200 million on August 31, 2005. Approximately 77.0% of the principal balance of Contracts may be advanced to the Company under this facility, subject to collateral tests and certain other conditions and covenants. Notes under this facility accrue interest at a rate of one-month LIBOR plus 1.50% per annum. The lender has annual termination options at its sole discretion on each June 30 through 2007, at which time the agreement expires. At December 31, 2005, $836,000 was outstanding under this facility, compared to zero at December 31, 2004.

The $125 million warehouse facility was structured to allow the Company to fund a portion of the purchase price of Contracts by drawing against a floating rate variable funding note issued by its consolidated subsidiary CPS Warehouse Trust. This facility was established on March 7, 2002, and the maximum amount was increased to $125 million in November 2002. Up to 73.0% of the principal balance of Contracts could have been advanced to the Company under this facility bore interest at a rate of one-month commercial paper plus 1.50% per annum. This facility was due to expire on April 11, 2006, but the Company elected to terminate it on June 29, 2005. At December 31, 2004, $34.3 million was outstanding under this facility.

The Company securitized $674.4 million of Contracts in five private placement transactions during the year ended December 31, 2005 compared to $463.9 million in five private placements during 2004. All of these transactions were structured as secured financings and, therefore, resulted in no gain on sale. In March 2004 a wholly-owned bankruptcy remote consolidated subsidiary of the Company issued $44 million of asset-backed notes secured by its retained interest in eight term securitization transactions. The notes had an interest rate of 10% per annum and a final maturity in October 2009, were required to be repaid from the distributions on the underlying retained interests. In connection with the issuance of the notes, the Company incurred and capitalized issuance costs of $1.3 million. The Company repaid the notes in full in August 2005. In November 2005, the Company completed similar securitizations whereby a wholly-owned bankruptcy remote consolidated subsidiary of the Company issued $45.8 million of asset-backed notes secured by its retained interest in tem term securitization transactions. These notes, which bear interest at a blended interest rate of 8.36% per annum and have a final maturity in July 2011, are required to be repaid from the distributions on the underlying retained interests. In connection with the issuance of the notes, the Company incurred and capitalized issuance costs of $915,000.

For the portfolio owned by non consolidated subsidiaries, cash used to increase Credit Enhancement amounts to required levels for the years ended December 31, 2005, 2004 and 2003 was zero, $2.9 million and $20.9 million, respectively. Cash released from Trusts and their related Spread Accounts to the Company related to the portfolio owned by consolidated subsidiaries for the years ended December 31, 2005, 2004 and 2003 was $23.1 million, $21.4 million and $25.9 million, respectively. Changes in the amount of Credit Enhancement required for term securitization transactions and releases from Trusts and their related Spread Accounts are affected by the relative size, seasoning and performance of the various pools of Contracts securitized that make up the Company's managed portfolio to which the respective Spread Accounts are related. During the years ended December 31, 2005 and December 31, 2004 the Company made no initial deposits to Spread Accounts and funded no initial overcollateralization related to its term securitization transactions owned by non-consolidated subsidiaries, compared to $18.7 million in the 2003 The acquisition of Contracts for subsequent sale in securitization transactions, and the need to fund 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 the Company's Contract purchases (other than flow purchases), the required level of initial Credit Enhancement in securitizations, and the extent to which the previously established Trusts and their related Spread Accounts either release cash to the Company or capture cash from collections on securitized Contracts. The Company is currently limited in its ability to purchase Contracts due to certain liquidity constraints. As of December 31, 2005, the Company had cash on hand of $17.8 million and available Contract purchase commitments from its warehouse credit facilities of $314.6 million. The Company's plans to manage the need for liquidity include the completion of additional term securitizations that would provide additional credit availability from the warehouse credit facilities, and matching its levels of Contract purchases to its availability of cash. There can be no assurance that the Company will be able to complete term securitizations on favorable economic terms or that the Company will be able to complete term securitizations at all. If the Company is unable to complete such securitizations, interest income and other portfolio related income would decrease.

The Company's primary means of ensuring that its cash demands do not exceed its cash resources is to match its levels of Contract purchases to its availability of cash. The Company's ability to adjust the quantity of Contracts that it purchases and securitizes 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 Contract acquisition can be maintained or increased. While the specific terms and mechanics of each Spread Account vary among transactions, the Company's Securitization Agreements generally provide that the Company 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 Contracts in the pool are below certain predetermined levels. In the event delinquencies, defaults or net losses on the 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 the Company of excess cash flows associated with other pools; or (iii) in certain circumstances, may permit the insurers to require the transfer of servicing on some or all of the Contracts to another servicer. There can be no assurance that collections from the related Trusts will continue to generate sufficient cash.

Certain of the Company's securitization transactions and the warehouse credit facilities contain various financial covenants requiring certain minimum financial ratios and results. Such covenants include maintaining minimum levels of liquidity and net worth and not exceeding maximum leverage levels and maximum financial losses. In addition, certain securitization and non-securitization related debt contain cross-default provisions that would allow certain creditors to declare a default if a default occurred under a different facility.

The Servicing Agreements of the Company's securitization transactions are terminable by the insurers of certain of the Trust's obligations ("Note Insurers") in the event of certain defaults by the Company and under certain other circumstances. Were a Note Insurer in the future to exercise its option to terminate the Servicing Agreements, such a termination would have a material adverse effect on the Company's liquidity and results of operations. The Company continues to receive Servicer extensions on a monthly and/or quarterly basis, pursuant to the Servicing Agreements.

(18) SELECTED QUARTERLY DATA (UNAUDITED)

	Quarter Ended March 31,	Quarter Ended June 30,	Quarter Ended September 30,	Quarter Ended December 31,
	(In thousands, except per share data)			
2005				
Revenues	$ 41,833	$ 47,776	$ 49,374	$ 54,714
Income (loss) before income taxes	(239)	545	1,398	1,668
Net income (loss)	(239)	545	1,398	1,668
Income (loss) per share:				
Basic	$ (0.01)	$ 0.03	$ 0.06	$ 0.08
Diluted	(0.01)	0.02	0.06	0.07
				2004
Revenues	$ 27,522	$ 32,687	$ 34,913	$ 37,570
Loss before income taxes	(1,407)	(174)	(2,061)	(12,246)
Net loss	(1,407)	(174)	(2,061)	(12,246)
Loss per share:				
Basic	$ (0.07)	$ (0.01)	$ (0.10)	$ (0.57)
Diluted	(0.07)	(0.01)	(0.10)	(0.57)

EXHIBIT 4.6.1

AMENDMENT TO
AMENDED AND RESTATED SECURED SENIOR NOTE

THIS AMENDMENT TO AMENDED AND RESTATED SECURED SENIOR NOTE, effective as of December 13, 2005 (this "AMENDMENT"), is entered into by and between CONSUMER PORTFOLIO SERVICES, INC., a California corporation (the "COMPANY"), and LEVINE LEICHTMAN CAPITAL PARTNERS II, L.P., a California limited partnership (the "PURCHASER" and, together with any registered assigns, the "HOLDER").

R E C I T A L S

A. The Company and the Purchaser are parties to that certain Third Amended and Restated Securities Purchase Agreement dated as of January 29, 2004, as amended by a March 25 Amendment to Securities Purchase Agreement dated as of March 25, 2004, a Consent and First Amendment to Third Amended and Restated Securities Purchase Agreement dated as of April 2, 2004, a Third Amendment to Third Amended and Restated Securities Purchase Agreement dated as of May 28, 2004, and a Fourth Amendment to Third Amended and Restated Securities Purchase Agreement dated as of June 25, 2004 (as so amended, the "SECURITIES PURCHASE AGREEMENT").

B. The Purchaser is the holder of that certain Amended and Restated Secured Senior Note, as amended and restated January 29, 2004, issued by the Company to the Purchaser in the original principal amount of $15,000,000 (the "TERM D NOTE"). Unless otherwise indicated, capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Securities Purchase Agreement or the Term D Note, as the case may be.

C. As provided in that certain letter agreement dated December 13, 2005 (the "TERM D NOTE LETTER Agreement") between the Company and the Purchaser, the Company has requested that the Purchaser extend the Maturity Date of the Term D Note from December 15, 2005, to December 18, 2006, and the Purchaser has agreed to do so, on the terms and subject to the conditions set forth in the Term D Note Letter Agreement and this Amendment.

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. AMENDMENT OF SECTION 3 (MATURITY DATE). Section 3 of the Term D Note is hereby amended to read in its entirety as follows:

"3. MATURITY DATE. The Company shall pay in full the entire outstanding principal balance of this Note, together with all premium, if any, accrued and unpaid interest on, and all other amounts owing under this Note, on December 18, 2006 (the "MATURITY DATE")."

2. COMPANY REPRESENTATIONS AND WARRANTIES. To induce the Purchaser to enter into this Amendment, the Company represents and warrants to the Purchaser that:

(a) This Amendment has been duly authorized, executed and delivered by the Company and the Subsidiary Guarantors and constitutes a legal, valid and binding obligation of the Company and each such Subsidiary Guarantor, enforceable against each of them in accordance with its terms;

(b) The execution, delivery and performance of the Term D Letter Agreement by the Company and this Amendment (the "AMENDMENT DOCUMENTS") by the Company and the Subsidiary Guarantors, and the consummation of the other transactions contemplated hereby and thereby, do not violate or conflict with, or cause a default under, or give rise to a right of termination under, (i) the charter or bylaws of the Company or any of its Subsidiaries, as in effect on the date hereof; (ii) any Material Contract (including any Securitization Transaction Document), indenture, note, mortgage, instrument or other agreement to which the Company or any of its Subsidiaries is a party or by which it or any of its or their properties or assets are bound or (iii) any Applicable Laws;

(c) Neither the Company nor any of its Subsidiaries or other Affiliates is required to obtain any Consent in connection with execution, delivery or performance of this Amendment or the consummation of the transactions contemplated hereby, or for the purpose of maintaining in full force and effect any Licenses and Permits of the Company or any of its Subsidiaries, from (a) any Governmental Authority, (b) any trustee, Credit Enhancer, rating agency or other party to any Securitization Transaction in connection with the execution and delivery of this Amendment or any Related Agreement or (c) any other Person;

(d) The outstanding principal balances and "Maturity Dates" of the Notes, respectively, are as follows (provided that the "Maturity Date" of the Term D Note gives effect to this Amendment):

Note	Outstanding Principal Balance	Maturity Date
Term B Note.....	$19,828,527	December 15, 2005
Term D Note.....	15,000,000	December 18, 2006
Term E Note.....	15,000,000	May 27, 2006
Term F Note.....	10,000,000	June 24, 2006
	$59,828,527	

(e) No Default or Event of Default has occurred and is continuing or will result from the execution, delivery or performance of any Amendment Document or the consummation of the transactions contemplated hereby and thereby;

(f) The security interests and liens granted by the Company under the Collateral Documents continue to constitute legal, valid, enforceable and perfected first priority security interests in the Collateral, prior in right to all other Liens, which secure the due and punctual payment, performance and observance in full of all Obligations, including, without limitation, all Indebtedness and other Obligations under the Term B Note, the Term D Note, as amended hereby, the Term E Note and the Term F Note; and

(g) Since June 25, 2004, the Company has not formed or acquired any Subsidiaries other than Special Purpose Entities formed solely for the purposes of effectuating Securitization Transactions.

3. CONFIRMATION; FULL FORCE AND EFFECT. The amendment set forth in Section 1 above shall amend the Term D Note on and as of the date hereof, and the Term D Note 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, each of the Notes, the Collateral Documents (including the Liens granted in favor of the Purchaser under the Collateral Documents) and each of the other Related Agreements, the terms and other provisions hereof and thereof and the Obligations hereunder and thereunder. The execution, delivery and performance of this Amendment shall not operate as a waiver of, or limitation with respect to, any right, power or remedy of the Purchaser under the Securities Purchase Agreement, the Term D Note, as amended hereby, any other Note, any Collateral Documents, any other Related Agreement or any Applicable Laws.

4. ENTIRE AGREEMENT; SUCCESSORS AND ASSIGNS. This Amendment, together with the Term D Note Letter Agreement, constitute the entire understanding and agreement between the Company and the Purchaser with respect to the subject matter hereof and supersede all prior oral and written, and all contemporaneous oral, agreements and understandings with respect thereto. This Amendment shall inure to the benefit of, and be binding upon, the Company, the Purchaser and their respective successors and permitted assigns.

5. GOVERNING LAW. This Amendment shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such State, without regard to principles regarding choice of law or conflicts of laws.

6. COUNTERPARTS. This Amendment may be executed in one or more counterparts and by facsimile transmission, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed and delivered by its duly authorized representatives as of the date first written above.

COMPANY

CONSUMER PORTFOLIO SERVICES, INC.,
a California corporation

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

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

AGREED TO AND ACCEPTED:

LEVINE LEICHTMAN CAPITAL PARTNERS, INC.

On behalf of LEVINE LEICHTMAN
CAPITAL PARTNERS II, L.P.

By: /s/ Steven E. Hartman

Steven E. Hartman
Vice President

ACKNOWLEDGMENT AND CONSENT
OF SUBSIDIARY GUARANTORS

Each of the undersigned Subsidiary Guarantors hereby acknowledges that it has read the foregoing Amendment to Amended and Restated Secured Senior Note and consents to its terms. Each of the undersigned further acknowledges and agrees that the Term D Note, as amended by the foregoing Amendment, and the other Notes each constitutes a Guarantied Obligation and reaffirms its obligations under the Subsidiary Guaranty and the other Related Agreements to which it is a party, all of which remains in full force and effect.

CPS LEASING, INC., a Delaware corporation

CPS MARKETING, INC., a California corporation

MFN FINANCIAL CORPORATION, a Delaware corporation

MERCURY FINANCE COMPANY LLC, a Delaware limited liability company

MERCURY FINANCE CORPORATION OF ALABAMA, an Alabama corporation

MERCURY FINANCE COMPANY OF ARIZONA, an Arizona corporation

MERCURY FINANCE COMPANY OF COLORADO, a Delaware corporation

MERCURY FINANCE COMPANY OF DELAWARE, a Delaware corporation

MERCURY FINANCE COMPANY OF FLORIDA, a Delaware corporation

MERCURY FINANCE COMPANY OF GEORGIA, a Delaware corporation

MERCURY FINANCE COMPANY OF ILLINOIS, a Delaware corporation

MERCURY FINANCE COMPANY OF INDIANA, a Delaware corporation

MERCURY FINANCE COMPANY OF KENTUCKY, a Delaware corporation

MERCURY FINANCE COMPANY OF LOUISIANA, a Delaware corporation

MERCURY FINANCE COMPANY OF MICHIGAN, a Delaware corporation

MERCURY FINANCE COMPANY OF MISSISSIPPI, a Delaware corporation

MERCURY FINANCE COMPANY OF MISSOURI, a Missouri corporation

MERCURY FINANCE COMPANY OF NEVADA, a Nevada corporation

MERCURY FINANCE COMPANY OF NEW YORK, a Delaware corporation

MERCURY FINANCE COMPANY OF NORTH CAROLINA, a Delaware corporation

MERCURY FINANCE COMPANY OF OHIO, a Delaware corporation

MFC FINANCE COMPANY OF OKLAHOMA, a Delaware corporation

MERCURY FINANCE COMPANY OF PENNSYLVANIA, a Delaware corporation

MERCURY FINANCE COMPANY OF SOUTH CAROLINA, a Delaware corporation

MERCURY FINANCE COMPANY OF TENNESSEE, a Tennessee corporation

MFC FINANCE COMPANY OF TEXAS, a Delaware corporation

MERCURY FINANCE COMPANY OF VIRGINIA, a Delaware corporation

MERCURY FINANCE COMPANY OF WISCONSIN, a Delaware corporation

GULFCO INVESTMENT, INC., a Louisiana corporation

GULFCO FINANCE COMPANY, a Louisiana corporation

MIDLAND FINANCE CO., an Illinois corporation

MFN INSURANCE COMPANY, a company organized and existing under the laws of Turks and Caicos

TFC ENTERPRISES, INC., a Delaware corporation (the surviving corporation of the TFC Merger)

THE FINANCE COMPANY, a Virginia corporation

FIRST COMMUNITY FINANCE, INC., a Virginia corporation

RECOVERIES, INC., a Virginia corporation

PC ACCEPTANCE.COM, INC., a Virginia corporation

THE INSURANCE AGENCY, INC., a Virginia corporation

71270 CORP., a Delaware corporation

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

exhibit 10.2.1

OPTION AGREEMENT - Consumer Portfolio Services, Inc.

THIS OPTION AGREEMENT (this "Agreement") IS THE "OPTION AGREEMENT" REFERRED TO ON THE REVERSE SIDE OF THIS PAGE. THE REVERSE SIDE OF THIS PAGE IS CAPTIONED "Notice of Grant of Stock Options and Option Agreement" (herein, the "Notice").

The Notice and this Agreement are to be read and interpreted as ONE DOCUMENT and are hereafter referred to, together, as "this Option."

This Option is by and between Consumer Portfolio Services, Inc., a California corporation (referred to herein, together with its subsidiaries, as the "Company" or "Consumer Portfolio Services") and the "Employee."

This Option is issued pursuant to the Company's 1997 Long-Term Incentive Plan (referred to herein as the "Plan" or "Company's Stock Option Plan") and is designated by the Option Number recorded on the Notice.

Capitalized terms used in this Option and not otherwise defined have the meanings given in the Plan. As used in this Option, the following terms have the meanings given below:

"Employee" means the individual named on the Notice

"Date of Grant" means the date recorded next to the word "Effective" on the Notice

"Expiration Date" means the date recorded one or more times under the word "Expiration" in the Notice

"Maximum Grant" means the number preceding the word "shares" in the first paragraph of the Notice

"Option Price" means the price per share of the stock as recorded in the first paragraph of the Notice

1, GRANT OF OPTION. The Company hereby grants to Employee the option to purchase, upon and subject to the terms and conditions of this Option and of the Plan, all or any part of the Maximum Grant of the Company's common stock (also referred to in the Notice as "stock"), at the Option Price specified above. The shares so purchased or available for purchase are referred to herein as the "Option Shares." This Option is intended to qualify as an incentive option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. EXERCISABILITY. This Option shall become exercisable in installments. The number of shares exercisable at any particular time is determined according to the vesting schedule on the Notice, which outlines the timing (as recorded under the words "Full Vest") and number of shares (as recorded under the word "Shares") of each installment. This Option shall remain exercisable as to all of such shares until the Expiration Date, at which time it shall expire in its entirety, unless this Option has expired or terminated earlier in accordance with the provisions hereof or of the Plan. In all events, the number of shares that may be purchased at any time under this Option is reduced by the number of shares previously so purchased.

3. EXERCISE OF OPTION. This Option may be exercised by written notice delivered to the Company stating the number of Option Shares with respect to which this Option is being exercised, together with the full Option Price of such shares in cash, bank cashier's check, or such other form of payment as may be permitted by resolution of the board of directors of the Company or the committee of said board charged with administration of the Plan (said board or committee, the "Administrator"). Not less than ten (10) Option Shares may be purchased at any one time unless the number purchased is the total number that remains to be purchased under this Option, and in no event may this Option be exercised with respect to fractional shares. Upon exercise, the Employee shall make appropriate arrangements and shall be responsible for the withholding of any federal or state income or employment taxes then due. Employee agrees that the Company may decline to permit exercise in the absence of such withholding arrangements.

4. NOTIFICATION OF SALE. Employee agrees that Employee, or any person acquiring Option Shares upon exercise of this Option, will notify the Company in writing not more than five (5) days after any sale or other disposition of such shares.

5. CESSATION OF EMPLOYMENT. Except as provided in Paragraphs 7, 8 or 12 hereof, if the Employee ceases to be employed by the Company or any Subsidiary of the Company, this Option shall expire three months thereafter, but not later than the Expiration Date specified in Paragraph 2 hereof; provided, however, that if the termination of employment is the result of Employee's death or disability, then this Option shall expire one year after the termination of employment, but not later than the Expiration Date specified in Paragraph 2 hereof. During such period or extended period after termination of employment, this Option shall be exercisable only to the extent, if any, that it had become exercisable on the date of termination, and any rights of Employee with respect to Option Shares not exercisable as of such date shall expire and terminate automatically on such date.

6. REDUCTION IN STATUS. This Option is granted based on Employee's position or status within the Company at the Date of Grant. Should Employee at any time no longer be employed in such position, but rather in a position of substantially less responsibility, as determined by the Administrator, then from and after the date of such change in status ("Change Date") the number of shares as to which this Option shall be exercisable shall be the greater of (i) the number of shares as to which this Option was exercisable on the Change Date, and (ii) the number of shares as to which this Option would be exercisable if the Maximum Grant specified in Paragraph 1 hereof were a lesser number, determined by the Administrator, that would be equal to the maximum grant that the Company then customarily grants to individuals in positions similar to Employee's new position. Such lesser number may be zero. In no event shall such a change in terms of this Option result in either (i) an increase in the Maximum Grant, or (ii) Employee's losing the right to exercise this Option as to the Option Shares that Employee had the right to purchase on the Change Date.

7. TERMINATION FOR CAUSE. If the Employee's employment by the Company or any Subsidiary of the Company is terminated for cause, this Option shall automatically expire unless reinstated by the Administrator within thirty (30) days of such termination by giving written notice of such reinstatement to the Employee. In the event of such reinstatement, the Employee may exercise this Option only to such extent, for such time, and upon such terms and conditions as in the case of the a termination for a reason other than cause, disability or death. Termination for cause shall include, but not be limited to: (a) gross neglect or willful failure to perform fully Employee's duties and obligations to the Company; (b) indictment for or conviction of a felony or any other crime involving moral turpitude; (c) the commission of any fraudulent or dishonest acts affecting the business or assets of the Company or others with whom the Company has a business or client relationship; and (d) drug or alcohol abuse or dependency so as to adversely affect Employee's ability to perform fully Employee's duties and obligations to the Company. The determination of the Administrator with respect to the existence of cause for termination shall be final and conclusive.

8. DISABILITY OR DEATH OF EMPLOYEE. If the Employee's employment by the Company or any Subsidiary of the Company is terminated by reason of death or disability or if the Employee dies or becomes permanently and totally disabled (within the meaning of Section 22 of the Internal Revenue Code) during the period referred to in Paragraph 5 hereof, this Option shall automatically expire and terminate twelve (12) months after the date of the Employee's disability or death, but no later than the Expiration Date specified in Paragraph 2 hereof. After Employee's death but before such expiration, the person or persons to whom the Employee's rights under this Option shall have passed by order of a court of competent jurisdiction or by will or the applicable laws of descent and distribution, or the executor, administrator or conservator of the Employee's estate, shall have the right to exercise this Option to the extent, if any, that it had become exercisable as of the date of termination of employment.

9. NONTRANSFERABILITY. This Option shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the Employee's lifetime only by the Employee.

10. EMPLOYMENT. This Option shall not obligate the Company to employ Employee for any period, nor shall it interfere in any way with the right of the Company to increase or reduce the Employee's compensation, or to promote, demote or reassign Employee.

11. PRIVILEGES OF STOCK OWNERSHIP. Employee shall have no rights as a stockholder with respect to the Option Shares unless and until said Option Shares are issued to the Employee as provided in the Plan. Except as provided in Section 14 of the Plan, no adjustment will be made for dividends or other rights in respect of which the record date is prior to the date such stock certificates are issued.

12. MODIFICATION AND TERMINATION BY BOARD OF DIRECTORS. The rights of the Employee are subject to modification and termination upon the occurrence of certain events as provided in Section 6(c) of the Plan (relating to stock splits and other corporate reorganization or recapitalization transactions) and Section 11 (relating to a Change in Control). Any such modification, to the extent authorized by the Plan, shall be effective at such time and upon such terms and conditions as may be specified in a notice sent to Employee in accordance with Paragraph 13 hereof.

13. NOTICES. All notices to the Company provided for in this Option shall be addressed to the Company in care of its President at its principal office and all notices to the Employee shall be addressed to the address appearing in Employee's personnel file maintained by the Company, or to such other address as either may designate to the other in writing. Notice to the Company shall be effective upon receipt, and notice to the Employee shall be effective on the second business day after mailing, or upon receipt, whichever is earlier.

14. GOVERNING LAW. This Agreement shall be governed by the internal laws of the State of California.

15. ENTIRE AGREEMENT; AMENDMENTS. This Option (together with the Plan) contains the entire understanding of the parties with respect to the subject matter hereof and may not be amended except by a written amendment signed by the party to be charged, or pursuant to Sections 6(c), 11 or 13 of the Plan. "The subject matter hereof" is any and all options to purchase Company securities that Employee has earned or has any right to receive.

16. INCORPORATION OF PLAN. All of the provisions of the Plan are incorporated herein by reference as if set forth in full herein. In the event of any conflict between the terms of the Plan and any provision contained herein, the terms of the Plan shall be controlling and the conflicting provisions herein shall be disregarded.

READ THIS BEFORE SIGNING BELOW

Furthermore, you acknowledge receipt of a copy of the Company's Stock Option Plan and by signing this Notice you are signing and agreeing to the "Option Agreement."

SALE AND SERVICING AGREEMENT (this "AGREEMENT") dated as of November 15, 2005, among PAGE THREE FUNDING LLC, a Delaware limited liability company (the "PURCHASER"), CONSUMER PORTFOLIO SERVICES, INC., a California corporation (in its capacities as Seller, the "SELLER" and as Servicer, the "SERVICER," respectively), WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (in its capacities as Backup Servicer, the "BACKUP SERVICER" and as Trustee, the "TRUSTEE," respectively).

WHEREAS, the Purchaser desires to purchase, from time to time, portfolios of receivables arising in connection with motor vehicle retail installment sale contracts acquired by Consumer Portfolio Services, Inc., from motor vehicle dealers and independent finance companies;

WHEREAS, the Purchaser intends to finance such purchases by issuing the Note, secured by, among other assets, the Receivables and the Other Conveyed Property, pursuant to the Indenture (as defined below);

WHEREAS, the Seller is willing to sell such Receivables and the Other Conveyed Property to the Purchaser from time to time; and

WHEREAS the Servicer is willing to service all such Receivables.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. DEFINITIONS. Capitalized terms used in this Agreement and not otherwise defined in this Agreement, shall have the meanings set forth in Annex A attached hereto.

SECTION 1.2. OTHER DEFINITIONAL PROVISIONS.

(a) All terms defined in this Agreement 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 Agreement, 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 as in effect on the date of determination or any such instrument, certificate or other document, as applicable. To the extent that the definitions of accounting terms in this Agreement or in any such instrument, certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement 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 Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

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

(e) The definitions contained in this Agreement 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.

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 in accordance with the terms thereof 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.

ARTICLE II

CONVEYANCE OF RECEIVABLES

SECTION 2.1. CONVEYANCE OF RECEIVABLES.

(a) In consideration of the Purchaser's delivery to or upon the order of the Seller on any Funding Date of the Purchase Price therefor, the Seller does hereby sell, transfer, assign, set over and otherwise convey to the Purchaser, without recourse (subject to the obligations set forth herein) all right, title and interest of the Seller, whether now existing or hereafter arising, in, to and under:

(i) the Receivables listed in Schedule A to each Assignment executed and delivered by the Seller on such Funding Date;

(ii) all monies received under the Receivables on and

after the related Cutoff Date and all Net Liquidation Proceeds received with respect to the Receivables on and after the related Cutoff Date;

(iii) the security interests in the Financed Vehicles and any accessions thereto granted by Obligors pursuant to the related Contracts and any other interest of the Seller in such Financed Vehicles, including, without limitation, the certificates of title or, with respect to such Receivables that finance a vehicle in the States listed in ANNEX B, other evidence of title issued by the applicable Department of Motor Vehicles or similar authority in such States, with respect to such Financed Vehicles;

(iv) any proceeds from claims on any Receivables Insurance Policies or certificates relating to the Financed Vehicles securing the Receivables or the Obligors thereunder;

(v) all proceeds from recourse against Dealers with respect to the Receivables and all other rights (but none of the obligations) of the Seller under any agreements with Dealers;

(vi) refunds for the costs of extended service contracts with respect to Financed Vehicles securing the Receivables, refunds of unearned premiums with respect to credit life and credit accident and health insurance policies or certificates covering an Obligor or Financed Vehicle under a Receivable or his or her obligations with respect to a Financed Vehicle and any recourse to Dealers for any of the foregoing;

(vii) the Receivable File related to each Receivable and all other documents that the Seller keeps on file in accordance with its customary procedures relating to the Receivables for Obligors of the Financed Vehicles;

(viii) all amounts and property from time to time held in or credited to the Collection Account or the Lockbox Account;

(ix) all property (including the right to receive future Net Liquidation Proceeds) that secures a Receivable that has been acquired by or on behalf of the Seller or the Purchaser pursuant to a liquidation of such Receivable;

(x) the proceeds from any Servicer's errors and omissions policy or fidelity bond, to the extent such proceeds relate to any Receivable, Financed Vehicle or other Collateral; and

(xi) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing.

(b) The Seller shall transfer to the Purchaser the Receivables and the Other Conveyed Property described in PARAGRAPH (A) above only upon the satisfaction of each of the conditions set forth below on or prior to the related Funding Date. In addition to constituting conditions precedent to any purchase hereunder and under each Assignment, the following shall also be conditions precedent to any Advance on any Funding Date under the terms of the Note Purchase Agreement:

(i) the Seller shall have provided the Purchaser, Trustee, the Note Purchaser and the Noteholders with (A) an Addition Notice substantially in the form of EXHIBIT G hereto (which shall include a supplement to the Schedule of Receivables) and (B) a data tape or other electronic file containing information regarding the Related Receivables in the form of EXHIBIT H hereto to be transferred on such Funding Date (the "DATA TAPE FIELDS") no later than 2:00 p.m. (New York City time) four (4) Business Days prior to such Funding Date and shall have provided any information reasonably requested by any of the foregoing with respect to the Issuer, the Servicer and the Related Receivables;

(ii) the Seller shall, to the extent required by SECTION 4.2 of this Agreement, have deposited in the Collection Account all collections received on and after the Cutoff Date in respect of the Related Receivables to be purchased on such Funding Date;

(iii) as of each Funding Date, (A) the Seller shall not be insolvent and shall not become insolvent as a result of the transfer of Related Receivables on such Funding Date, (B) the Seller shall not intend to incur or believe that it shall incur debts that would be beyond its ability to pay as such debts mature, (C) such transfer shall not have been made with actual intent to hinder, delay or defraud any Person and (D) the assets of the Seller shall not constitute unreasonably small capital to carry out its business as then conducted;

(iv) the Facility Termination Date shall not have occurred;

(v) the Servicer shall have established a Lockbox Account acceptable to the Note Purchaser;

(vi) each of the representations and warranties made by the Seller pursuant to SECTION 3.1 and the other Basic Documents with respect to the Related Receivables to be purchased on such Funding Date shall be true and correct as of the related Funding Date and the Seller shall have performed all obligations to be performed by it hereunder or in any Assignment on or prior to such Funding Date;

(vii) the Seller shall, at its own expense, on or prior to the Funding Date, indicate in its computer files that the Related Receivables to be purchased on such Funding Date have been sold to the Purchaser pursuant to this Agreement or an Assignment, as applicable, and have been pledged by the Purchaser to the Trustee under the Indenture;

(viii) the Seller shall have taken all action required to maintain (i) the first priority perfected ownership interest of the Purchaser in the Related Receivables and Other Conveyed Property and (ii) the first priority perfected security interest of the Trustee in the Collateral;

(ix) no selection procedures adverse to the interests of the Note Purchaser or any Noteholder shall have been utilized in selecting the Related Receivables to be sold on such Funding Date;

(x) the addition of any such Related Receivables to be purchased on such Funding Date shall not result in a material adverse tax consequence to any Noteholder, the Note Purchaser or the Purchaser;

(xi) the Seller shall have delivered to each Noteholder, the Note Purchaser and the Trustee an Officers' Certificate confirming the satisfaction of each condition precedent specified in this paragraph (b);

(xii) no Funding Termination Event, Servicer Termination Event, or any event that, with the giving of notice or the passage of time, would constitute a Funding Termination Event or Servicer Termination Event, shall have occurred and be continuing;

(xiii) the Trustee shall have confirmed receipt of the related Receivable File for each Related Receivable included in the Borrowing Base calculation and shall have delivered a copy to the Noteholders and the Note Purchaser of a Trust Receipt with respect to the Receivable Files related to the Related Receivables to be purchased on such Funding Date;

(xiv) the Seller shall have filed or caused to be filed all necessary UCC-l financing statements (or amendments thereto) necessary to maintain (in each case assuming for purposes of this clause (xiv) that such perfection may be achieved by making the appropriate filings), and taken any other steps necessary to maintain, (1) the first, priority, perfected ownership interest of Purchaser and (2) the first priority, perfected security interest of the Trustee, with respect to the Related Receivables and Other Conveyed Property and the Collateral, respectively, to be transferred on such Funding Date;

(xv) the Seller shall have executed and delivered an Assignment in the form of EXHIBIT F with respect to such Related Receivables and the Other Conveyed Property related thereto;

(xvi) each of the conditions precedent to such Advance set forth in this Agreement, the Indenture and the Note Purchase Agreement shall have been satisfied; and

(xvii) the Funding Date shall not occur in the same calendar week as any prior Funding Date;

Unless waived by Note Purchaser in writing, the Seller covenants that in the event any of the foregoing conditions precedent are not satisfied with respect to any Related Receivable on the date required as specified above, the Seller will immediately repurchase such Related Receivable from the Purchaser, at a price equal to the Purchase Amount thereof, in the manner specified in SECTION 3.2 and SECTION 4.7. Except with respect to ITEM (XIII) above, the Trustee may rely on the accuracy of the Officers' Certificate delivered pursuant to ITEM (XI) above without independent inquiry or verification.

(c) PAYMENT OF PURCHASE PRICE. In consideration for the sale of the Related Receivables and Other Conveyed Property described in SECTION 2.1(A) or the related Assignment, the Purchaser shall, on each Funding Date on which Related Receivables are transferred hereunder, pay to or upon the order of the Seller the applicable Purchase Price in the following manner: (i) cash in an amount equal to the amount of the Advance received by the Purchaser under the Notes on such Funding Date and (ii) to the extent the Purchase Price for the related Receivables and Other Conveyed Property exceeds the amount of cash described in (i), such excess shall be treated as a capital contribution by the Seller to the Purchaser.

SECTION 2.2. TRANSFERS INTENDED AS SALES. It is the intention of the Seller and the Purchaser that each transfer and assignment contemplated by this Agreement and each Assignment shall constitute a sale of the Related Receivables and Other Conveyed Property from the Seller to the Purchaser free and clear of all liens and rights of others and it is intended that the beneficial interest in and title to the Related Receivables and Other Conveyed Property shall not be part of the Seller's estate in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law. In the event that, notwithstanding the intent of the Seller and the Purchaser, the transfer and assignment contemplated hereby or by any Assignment is held not to be a sale, this Agreement and each Assignment shall constitute a security agreement under applicable law and the Seller hereby grants to the Purchaser a security interest in the Receivables and Other Conveyed Property, which security interest has been assigned to the Trustee, acting on behalf of the Noteholders and Note Purchaser.

SECTION 2.3. FURTHER ENCUMBRANCE OF RECEIVABLES AND OTHER CONVEYED PROPERTY.

(a) Immediately upon the conveyance to the Purchaser by the Seller of the Related Receivables and any item of the related Other Conveyed Property pursuant to SECTION 2.1 and the related Assignment, all right, title and interest of the Seller in and to such Related Receivables and Other Conveyed Property shall terminate, and all such right, title and interest shall vest in the Purchaser.

(b) Immediately upon the vesting of any Related Receivables and the related Other Conveyed Property in the Purchaser, the Purchaser shall have the sole right to pledge or otherwise encumber such Related Receivables and the related Other Conveyed Property. Pursuant to the Indenture, the Purchaser shall grant a security interest in the Collateral to secure the repayment of the Notes and the other Secured Obligations.

(c) The Trustee shall, at such time as (i) the Facility Termination Date has occurred, (ii) the payment in full of the Secured Obligations has occurred, (iii) the Note Purchase Agreement shall have been terminated pursuant to its terms, (iv) there is no Note Outstanding, (v) all sums due to the Trustee pursuant to the Basic Documents have been paid, and (vi) all other conditions precedent under the Indenture shall have been satisfied, release any remaining portion of the Collateral to the Purchaser.

ARTICLE III

THE RECEIVABLES

SECTION 3.1. REPRESENTATIONS AND WARRANTIES OF SELLER. (a) The Seller makes the following representations and warranties as to the Receivables to the Purchaser, to the Trustee for the benefit of the Note Purchaser and the Noteholders, to the Note Purchaser and to the Noteholders, on which the Purchaser relies in acquiring the Receivables, on which the Trustee relies in accepting a pledge of the Receivables under the Indenture, on which the Noteholders have relied in purchasing the Notes and on which the Note Purchaser will rely in paying the Advance Amount to the Purchaser. Such representations and warranties speak as of the Closing Date and as of each Funding Date; PROVIDED that to the extent such representations and warranties relate to the Receivables conveyed on any Funding Date, such representations and warranties shall speak as of the related Funding Date, but shall survive the sale, transfer and assignment of the Receivables to the Purchaser and the pledge thereof by the Purchaser hereunder to the Trustee pursuant to the Indenture.

(i) CHARACTERISTICS OF RECEIVABLES. Each Receivable (1) has been originated in the United States of America by a Dealer for the retail sale of a Financed Vehicle in the ordinary course of such Dealer's business and without any fraud or misrepresentation on the part of the Dealer, such Dealer had all necessary licenses and permits to originate such Receivables in the state where such Dealer was located, has been fully and properly executed by the parties thereto, has been purchased by the Seller directly from the Dealer in connection with the sale of Financed Vehicles by the Dealers and has been validly assigned without any intervening assignments by such Dealer to the Seller in accordance with its terms, (2) has created a valid, subsisting, and enforceable first priority perfected security interest in favor of the Seller in the Financed Vehicle, which security interest has been validly assigned by the Seller to the Purchaser and by the Purchaser to the Trustee, (3) contains

customary and enforceable provisions such that the rights and remedies of the holder or assignee thereof shall be adequate for realization against the collateral of the benefits of the security including without limitation a right of repossession following a default, (4) provides for level weekly, bi-weekly, semi-monthly or monthly payments that fully amortize the Amount Financed over the original term (except for the last payment, which may be different from the level payment but in no event shall exceed three times such level payment) and yield interest at the Annual Percentage Rate, (5) was originated by a Dealer to an Obligor and was sold by the Dealer to the Seller without any fraud or misrepresentation on the part of such Dealer, the Obligor or the Seller, (6) is denominated in U.S. dollars; (7) provides, in the case of prepayment, for the full payment of the Principal Balance thereof plus accrued interest through the date of prepayment based on the APR of the Receivable; and (8) contains no obligation to lend more money to the related Obligor in the future.

(ii) ADDITIONAL RECEIVABLES CHARACTERISTICS. As of the related Funding Date, as applicable:

(A) each Related Receivable has (1) an original term of 24 to 72 months; (2) an original Amount Financed of at least $3,000 and not more than $35,000; and (3) had an APR of at least 8% and not more than 30% (subject to applicable laws);

(B) each Related Receivable is not more than 30 days past due with respect to more than 10% of any Scheduled Receivable Payment as of the related Cutoff Date and no funds have been advanced by the Seller, any Dealer or anyone acting on their behalf in order to cause any Related Receivable to satisfy such requirement;

(C) no Related Receivable has been extended beyond its original term, except in accordance with the Seller's Contract Purchase Guidelines regarding deferments or extensions;

(D) each Related Receivable satisfies in all material respects the Seller's Contract Purchase Guidelines as in effect on the Closing Date or as otherwise amended from time to time with the prior written consent of the Note Purchaser (which consent shall not be unreasonably withheld); and

(E) each Related Receivable that is a Seasoned Receivable shall (i) not have an Obligor that has failed to make the first Scheduled Receivable Payment due on such Seasoned Receivable, (ii) not have been sold to the Purchaser and pledged to the Trustee for the benefit of the Noteholders and the Note Purchaser more than 120 days after the Seller paid the related Dealer for such Seasoned Receivable, (iii) not have an Obligor that has ever been delinquent in payment with respect to such Seasoned Receivable for more than sixty (60) days.

(iii) SCHEDULE OF RECEIVABLES. The information with respect to the Related Receivables set forth in Schedule A to the related Assignment is true and correct in all material respects as of the close of business on the related Cutoff Date, and no selection procedures adverse to any Noteholders or the Note Purchaser have been utilized in selecting the Related Receivables to be sold hereunder and thereunder.

(iv) COMPLIANCE WITH LAW. Each Related Receivable, the sale of the Financed Vehicle and the sale of any physical damage, credit life and credit accident and health insurance and any extended warranties or service contracts complied at the time the Related Receivable was originated or made and at the execution of the applicable Assignment complies in all material respects with all requirements of applicable Federal, State, and local laws, including, without limitation, Consumer Laws. Each Receivable has been serviced in compliance with all applicable requirements of law.

(v) NO GOVERNMENT OBLIGOR. None of the Related Receivables are due from the United States of America or any State or from any agency, department, or instrumentality of the United States of America or any State.

(vi) NO FLEET SALES. None of the Receivables have been included in a "fleet" sale (i.e., a sale to any single Obligor of more than five Financed Vehicles).

(vii) SECURITY INTEREST IN FINANCED VEHICLE. Immediately subsequent to the sale, assignment and transfer thereof to the Purchaser, each Related Receivable shall be secured by a validly perfected first priority security interest in the Financed Vehicle in favor of the Seller as secured party which security interest has been validly assigned to the Purchaser and subsequently validly pledged to the Trustee for the benefit of the Noteholders and Note Purchaser, and such assigned security interest is prior to all other liens upon and security interests in such Financed Vehicle which now exist or may hereafter arise or be created (except, as to priority, for any tax liens or mechanics' liens which may arise after the related Funding Date as a result of an Obligor's failure to pay its obligations, as applicable).

(viii) RECEIVABLES IN FORCE. No Related Receivable has been satisfied, subordinated or rescinded, nor has any related Financed Vehicle been released from the lien granted by the related Receivable in whole or in part.

(ix) NO WAIVER. Except as permitted under SECTION 4.2 and CLAUSE (X) below, no provision of a Related Receivable has been waived, altered or modified in any respect since its origination. No Related Receivable has been modified as a result of application of the Servicemembers Civil Relief Act, as amended.

(x) NO AMENDMENTS. No Related Receivable has been amended, modified, waived or refinanced except as such Related Receivable may have been amended in accordance with Servicer's Servicing Guidelines.

(xi) NO DEFENSES. No right of rescission, setoff, counterclaim or defense exists or has been asserted or threatened with respect to any Related Receivable. The operation of the terms of any Related Receivable or the exercise of any right thereunder will not render such Related Receivable unenforceable in whole or in part and such Receivable is not subject to any such right of rescission, setoff, counterclaim, or defense.

(xii) NO LIENS. As of the related Cutoff Date, (a) there are no liens or claims existing or which have been filed for work, labor, storage or materials relating to a Financed Vehicle financed under a Related Receivable that shall be liens prior to, or equal or coordinate with, the security interest in the Financed Vehicle granted by the Related Receivable and (b) there is no lien against the Financed Vehicle financed under a Related Receivable for delinquent taxes.

(xiii) NO DEFAULT; REPOSSESSION. Except for payment delinquencies continuing for a period of not more than 45 days as of the related Cutoff Date, no default, breach, violation or event permitting acceleration under the terms of any Related Receivable has occurred; and no continuing condition that with notice or the lapse of time, or both, would constitute a default, breach, violation or event permitting acceleration under the terms of any Related Receivable has arisen; and the Seller shall not waive and has not waived any of the foregoing (except in a manner consistent with SECTION 4.2) and no Financed Vehicle financed under a Related Receivable shall have been repossessed.

(xiv) INSURANCE; OTHER. (A) Each Obligor under the Related Receivables has obtained an insurance policy covering the Financed Vehicle as of the execution of such Receivable insuring against loss and damage due to fire, theft, transportation, collision and other risks generally covered by comprehensive and collision coverage, the Seller and its successors and assigns are named the loss payee or an

additional insured of such insurance policy, such insurance policy is in an amount at least equal to the lesser of (i) the Financed Vehicle's actual cash value or (ii) the remaining Principal Balance of the Related Receivable, and each Related Receivable requires the Obligor to obtain and maintain such insurance naming the Seller and its successors and assigns as loss payee or an additional insured, (B) each Related Receivable that finances the cost of premiums for credit life and credit accident and health insurance is covered by an insurance policy or certificate of insurance naming the Seller as policyholder (creditor) under each such insurance policy and certificate of insurance and (C) as to each Related Receivable that finances the cost of an extended service contract, the respective Financed Vehicle which secures the Related Receivable is covered by an extended service contract. As of the related Cutoff Date, no Financed Vehicle is or had previously been insured under a policy of forced-placed insurance.

(xv) TITLE. It is the intention of the Seller that each transfer and assignment herein contemplated constitutes a sale of the Related Receivables and the related Other Conveyed Property from the Seller to the Purchaser and that the beneficial interest in and title to such Related Receivables and related Other Conveyed Property not be part of the Seller's estate in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law. No Related Receivable or related Other Conveyed Property has been sold, transferred, assigned, or pledged by the Seller to any Person other than the Purchaser and by the Purchaser to any Person other than the Trustee. Immediately prior to each transfer and assignment herein contemplated, the Seller had good and marketable title to each Related Receivable and related Other Conveyed Property and was the sole owner thereof, free and clear of all liens, claims, encumbrances, security interests, and rights of others, and, immediately upon the transfer thereof to the Purchaser and the Purchaser shall have good and marketable title to the Receivables and the other Conveyed Property and shall be the sole owner thereof, free and clear of all Liens and, immediately upon the pledge thereof to the Trustee under the Indenture, the Trustee for the benefit of the Noteholders and the Note Purchaser shall have a valid and enforceable security interest in the Collateral, free and clear of all liens, encumbrances, security interests, and rights of others, and each such transfer and pledge has been perfected under the UCC. No Dealer has a participation in, or other right to receive, proceeds of any Receivable.

(xvi) LAWFUL ASSIGNMENT; NO CONSENT REQUIRED. No Related Receivable has been originated in, or is subject to the laws of, any jurisdiction under which the sale, transfer, and assignment of such Related Receivable under this Agreement or the pledge of such Related Receivable under the Indenture or pursuant to transfers of the Notes shall be unlawful, void, or voidable. The Seller has not entered into any agreement with any account debtor that prohibits, restricts or conditions the assignment of any portion of the Related Receivables. For the validity of such sales, transfers, assignments and pledges, no consent by any Dealer, Obligor or any other Person is required under any agreement or applicable law.

(xvii) ALL FILINGS MADE. All filings (including, without limitation, UCC filings or other actions) necessary in any jurisdiction to give: (a) the Purchaser a first priority perfected ownership interest in the Receivables and the Other Conveyed Property, including, without limitation, the proceeds of the Receivables (to the extent that the Purchaser can obtain such first priority perfected security interest pursuant to one or more filings) and (b) the Trustee, for the benefit of the Noteholders and the Note Purchaser, a first priority perfected security interest in the Collateral, have been made, taken or performed.

(xviii) RECEIVABLE FILE; ONE ORIGINAL. The Seller has delivered to the Trustee, at the location specified in SCHEDULE B hereto, a complete Receivable File with respect to each Related Receivable, and the Trustee has delivered to the Purchaser, the Note Purchaser and the Noteholders a copy of the Trust Receipt therefor. There is only one original executed copy of each Receivable. The Servicer has in its possession all other relevant documents with respect to the Receivables, including without limitation the related credit application and verification of insurance.

(xix) CHATTEL Paper. Each Related Receivable constitutes "TANGIBLE CHATTEL PAPER" under the UCC.

(xx) TITLE DOCUMENTS. (A) If the Related Receivable was originated in a State in which notation of a security interest on the title document of the related Financed Vehicle is required or permitted to perfect such security interest, the title document of the related Financed Vehicle for such Related Receivable shows, or if a new or replacement title document is being applied for with respect to such Financed Vehicle the title document (or, with respect to Related Receivables that finance a vehicle in the States listed in ANNEX B, other evidence of title issued by the applicable Department of Motor Vehicles or similar authority in such States) will be received within 180 days of the origination date and will show, the Seller named as the original secured party under the Related Receivable as the holder of a first priority security interest in such Financed Vehicle, and (B) if the Related Receivable was originated in a State in which the filing of a financing statement under the UCC is required to perfect a security interest in motor vehicles, such filings or recordings have been duly made and show the Seller named as the original secured party under the Related Receivable, and in either case, the Trustee has the same rights as such secured party has or would have (if such secured party were still the owner of the Receivable) against all parties claiming an interest in such Financed Vehicle, and such rights have been validly pledged to the Trustee for the benefit of the Noteholders and the Note Purchaser pursuant to the Indenture. With respect to each Related Receivable for which the title document has not yet been returned from the Registrar of Titles, the Seller has received written evidence from the related Dealer that such title document showing the Seller as first lienholder has been applied for.

(xxi) VALID AND BINDING OBLIGATION OF OBLIGOR. Each Related Receivable is the legal, valid and binding obligation in writing of the Obligor thereunder and is enforceable in accordance with its terms, except only as such enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, and all parties to such contract had full legal capacity to execute and deliver such contract and all other documents related thereto and to grant the security interest purported to be granted thereby. Each Related Receivable is not subject to any right of set-off by the Obligor.

(xxii) CHARACTERISTICS OF OBLIGORS. As of the date of each Obligor's application for credit from which the Related Receivable arises, such Obligor (a) did not have any material past due credit obligations or any personal or real property repossessed or wages garnished within one year prior to the date of such application, unless such amounts have been repaid or discharged through bankruptcy, (b) was not the subject of any Federal, State or other bankruptcy, insolvency or similar proceeding pending on the date of application that has not been discharged, (c) had not been the subject of more than one Federal, State or other bankruptcy, insolvency or similar proceeding that has not completed a Section 341 Meeting, (d) was domiciled in the United States and (e) was not self-employed. During the period from the date of each Obligor's application for financing of the Financed Vehicle from which the related Receivable arises to the applicable Funding Date, no Obligor is or has been the subject of any Federal, State or other bankruptcy, insolvency or similar proceeding that has not completed a Section 341 Meeting.

(xxiii) POST-OFFICE BOX. On or prior to the next billing period after the related Cutoff Date, the Servicer will notify each Obligor to make payments with respect to its respective Related Receivables after the related Cutoff Date directly to the Post-Office Box, and will provide each Obligor with a monthly statement in order to enable such Obligor to make payments directly to the Post-Office Box.

(xxiv) CASUALTY AND IMPOUNDING. No Financed Vehicle financed under a Related Receivable has suffered a Casualty and the Seller has not received any notice that any Financed Vehicle has been impounded.

(xxv) NO AGREEMENT TO LEND. The Obligor with respect to each Related Receivable does not have any option under the Receivable to borrow from any person any funds secured by the Financed Vehicle.

(xxvi) OBLIGATION TO DEALERS OR OTHERS. The Purchaser and its assignees will assume no obligation to Dealers or other originators or holders of the Related Receivables (including, but not limited to under dealer reserves) as a result of its purchase of the Related Receivables.

(xxvii) NO IMPAIRMENT. Neither Seller nor the Purchaser has done anything to convey any right to any Person that would result in such Person having a right to payments due under any Related Receivables or otherwise to impair the rights of the Purchaser, the Trustee, the Noteholders or the Note Purchaser in any Related Receivable or the proceeds thereof.

(xxviii) RECEIVABLES NOT ASSUMABLE. No Related Receivable is assumable by another Person in a manner which would release the Obligor thereof from such Obligor's obligations to the Purchaser or Seller with respect to such Related Receivable.

(xxix) SERVICING. The servicing of each Related Receivable and the collection practices relating thereto have been lawful and in accordance with the standards set forth in this Agreement; and other than Seller and the Back-up Servicer pursuant to the Basic Documents, no other person has the right to service the Receivable.

(xxx) CREATION OF SECURITY INTEREST. This Agreement creates a valid and continuing security interest (as defined in the UCC) in the Receivables and the Other Conveyed Property in favor of the Purchaser, which security interest is prior to all other Liens (other than the Lien of the Trustee under the Indenture) and is enforceable as such as against creditors of and purchasers from the Seller. The Indenture creates a valid and continuing security interest (as defined in the UCC) in the Collateral in favor of the Trustee for the benefit of the Noteholders and the Note Purchaser, which security interest is prior to all other Liens and is enforceable as such as against creditors of and purchasers from the Issuer.

(xxxi) PERFECTION OF SECURITY INTEREST IN RECEIVABLES AND OTHER CONVEYED PROPERTY. The Seller has caused the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Receivables and the Other Conveyed Property granted to the Purchaser hereunder pursuant to SECTION 2.1 and the related Assignment.

(xxxii) PERFECTION OF SECURITY INTEREST IN TRUST ESTATE. The Purchaser has caused the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Receivables and the other Collateral granted to the Trustee for the benefit of the Noteholders and the Note Purchaser under the Indenture.

(xxxiii) PERFECTION OF SECURITY INTERESTS IN FINANCED VEHICLES. The Seller has taken all steps necessary to perfect its security interest against the Obligors in the Financed Vehicles securing the Receivables and such security interest has been validly assigned by the Seller to the Purchaser and pledged by the Purchaser to the Trustee for the benefit of the Noteholders and the Note Purchaser.

(xxxiv) NO OTHER SECURITY INTERESTS - SELLER. Other than the security interest granted to the Purchaser pursuant to SECTION 2.1 and the related Assignment, the Seller has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Receivables or the Other Conveyed Property, other than such security interests as are released at or before the conveyance thereof. The Seller has not authorized the filing of and is not aware of any financing statements filed against the Seller that include a description of collateral covering any portion of the Receivables and the

Other Conveyed Property other than any financing statement relating to the security interest granted to the Purchaser hereunder or that has been terminated or released as to the Receivables and the Other Conveyed Property. The Seller is not aware of any judgment or tax lien filings against the Seller.

(xxxv) NO OTHER SECURITY INTERESTS - PURCHASER. Other than the security interest granted to the Trustee for the benefit of the Noteholders and Note Purchaser pursuant to the Indenture, the Purchaser has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral. The Purchaser has not authorized the filing of and is not aware of any financing statements filed against the Purchaser that include a description of collateral covering any portion of the Collateral other than any financing statement relating to the security interest granted to the Trustee for the benefit of the Noteholders and Note Purchaser under the Indenture or that has been terminated or released as to the Collateral. The Purchaser is not aware of any judgment or tax lien filings against the Purchaser.

(xxxvi) NOTATIONS ON CONTRACTS; FINANCING STATEMENT DISCLOSURE. The Servicer has in its possession copies of all Contracts that constitute or evidence the Receivables. The Contracts that constitute or evidence the Receivables do not have any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Purchaser and/or the Trustee for the benefit of the Noteholders and the Note Purchaser. All financing statements filed or to be filed against the Seller in favor of the Purchaser in connection herewith describing the Trust Estate contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the secured party."

(xxxvii) RECORDS. On or prior to each Funding Date, the Seller will have caused its records (including electronic ledgers) relating to each Related Receivable to be conveyed by it on such Funding Date to be clearly and unambiguously marked to reflect that such Related Receivable was conveyed by it to the Purchaser and pledged by the Purchaser to the Trustee for the benefit of the Noteholders and the Note Purchaser.

(xxxviii) COMPUTER INFORMATION. The computer diskette, computer tape or other electronic transmission made available by the Seller to the Purchaser on each Funding Date is, as of the related Cutoff Date, complete and accurate and includes a description of the same Receivables described in Schedule A to the related Assignment.

(xxxix) TFC, MFN, SEAWEST RECEIVABLES. None of the Related Receivables was originated by TFC, MFN, SeaWest or any of their respective Subsidiaries.

(xl) REMAINING PRINCIPAL BALANCE. As of the related Cutoff Date, each Related Receivable has a remaining Principal Balance of at least $3,000 and the Principal Balance of each Receivable set forth in Schedule A to the related Assignment is true and accurate in all respects.

(xli) NET ACQUISITION FEE. The average Net Acquisition Fee is less than 3.0%.

(xlii) DELIVERY OF RECEIVABLE FILES. A complete Receivable File (other than, if applicable, a certificate of title missing from the related Receivable File as described in SECTION 3.4(B)) with respect to each Receivable has been, prior to the Funding Date, delivered to the Trustee at the location listed in SCHEDULE B hereof.

(xliii) FULL AMOUNT ADVANCED. The full amount of each Receivable has been advanced to each Obligor, and there are no requirements for future advances thereunder.

(xliv) ILLINOIS RECEIVABLES. (a) The Seller does not own a substantial interest in the business of a Dealer within the meaning of Illinois Sales Finance Agency Act Rules and Regulations, Section 160.230(1) and (b) with respect to each Receivable originated in the State of Illinois, (i) the

printed or typed portion of the related Form of Receivable complies with the requirements of 815 ILCS 375/3(b) and (ii) the Seller has not, and for so long as such Receivable is outstanding shall not, place or cause to be placed on the related Financed Vehicle any collateral protection insurance in violation of 815 ILCS 180/10.

(xlv) CALIFORNIA RECEIVABLES. Each Receivable originated in the State of California has been, and at all times during the term of the Sale and Servicing Agreement will be, serviced by the Servicer in compliance with Cal. Civil Code ss. 2981, et seq.

SECTION 3.2. REPURCHASE UPON BREACH; SECTION 341 MEETING(a) . The Seller, the Servicer, any Noteholder or the Trustee, as the case may be, shall inform the other parties to this Agreement promptly, in writing, upon the discovery of any breach of the Seller's representations and warranties made pursuant to SECTION 3.1 with respect to a Receivable (without regard to any limitations therein as to the Seller's knowledge). Unless the breach shall have been cured within thirty (30) days of the discovery thereof by the Trustee or receipt by the Trustee of notice from the Seller or the Servicer of such breach, the Seller shall repurchase such Receivable. In consideration of the purchase of any Receivable, the Seller shall remit the Purchase Amount, in the manner specified in SECTION 5.6. The sole remedies of the Purchaser, the Trustee, the Note Purchaser or the Noteholders with respect to any Receivables as to which a breach of representations and warranties pursuant to SECTION 3.1 has occurred shall be to enforce the Seller's obligation to purchase such Receivables and the indemnity provided by SECTION 8.3(E) . Upon receipt of the Purchase Amount in respect of any Defective Receivables and written instructions from the Servicer, the Trustee shall release to the Seller or its designee the related Receivable File and shall execute and deliver all reasonable instruments of transfer or assignment, without recourse, as are prepared by the Seller and delivered to the Trustee and necessary to vest in the Seller or such designee title to such Defective Receivables. The parties hereto hereby acknowledge that the Note Purchaser and the Majority Noteholders shall each have the right to enforce directly against the Seller the Seller's repurchase and indemnity obligations pursuant to this SECTION 3.2.

(b) If (i) the Insolvency Event related to a Section 341 Meeting has not been discharged by the bankruptcy court or other similar court presiding over such Insolvency Event within 90 days of the conveyance of the related Receivable by the Seller to the Purchaser pursuant to SECTION 2.1(A), or (ii) the Obligor on any Receivable that was the subject of a Section 341 Meeting shall not have made the first two payments due on such Receivable, in each case, the Seller shall repurchase such Receivable as of the last day of such next Accrual Period.

SECTION 3.3. CUSTODY OF RECEIVABLE FILES.

(a) In connection with each sale, transfer and assignment of Receivables and related Other Conveyed Property to the Purchaser pursuant to this Agreement and each Assignment, and each pledge thereof by the Purchaser to the Trustee pursuant to the Indenture, the Trustee shall act as custodian of the following documents or instruments in its possession which shall be delivered to the Trustee on or before the Closing Date or the related Funding Date in accordance with SECTION 3.4 (with respect to each Receivable):

(i) The fully executed original of the Receivable (together with any agreements modifying or assigning the Receivable, including without limitation any extension agreements); and

(ii) The original certificate of title in the name of the Obligor with a notation on such certificate of title evidencing Seller's security interest therein or such documents that the Seller shall keep on file, in accordance with its customary procedures, evidencing the security interest of the Seller in the Financed Vehicle or, if not yet received, a copy of the application therefor showing the Seller as secured party, or a dealer guarantee of title.

(b) Upon payment in full of any Receivable, the Servicer will notify the Trustee pursuant to a certificate of a Servicing Officer in the form of EXHIBIT C and shall request delivery of the Receivable and Receivable File to the Servicer.

SECTION 3.4. Acceptance of Receivable Files by Trustee; Missing Certificates of Title (a) In connection with any Funding Date, the Seller shall cause to be delivered to the Trustee the Receivable Files for the Related Receivables to be purchased on such Funding Date not less than four Business Days prior to the related Funding Date. The Trustee declares that it will hold and will continue to hold such files and any amendments, replacements or supplements thereto and all Other Conveyed Property as Trustee, custodian, agent and bailee in trust for the use and benefit of the Noteholders and the Note Purchaser. The Trustee shall within three Business Days after receipt of such files, execute and deliver to the Noteholders and the Note Purchaser, a receipt substantially in the form of EXHIBIT B hereto (a "TRUST RECEIPT") for the Receivable Files received by the Trustee. By its delivery of a Trust Receipt, the Trustee shall be deemed to have (a) acknowledged receipt of the files (or the Receivables) which the Seller has represented are and contain the Receivable Files for the Related Receivables to be purchased by the Purchaser on the related Funding Date as indicated on Schedule A to the Addition Notice, (b) reviewed such files or Receivables and (c) determined that it has received the items referred to in SECTION 3.3(A)(I) and (II) for each Related Receivable identified on Schedule A to the Addition Notice, except, in each case, as may otherwise be noted in Schedule I to the Trust Receipt. Unless such defect noted on Schedule I of the related Trust Receipt with respect to such Receivable to be transferred on the related Funding Date shall have been cured by the Seller or waived by the Note Purchaser, in its sole discretion, and the Trustee shall have executed a Trust Receipt reflecting that such Receivable is no longer on Schedule I thereto prior to 11 a.m. New York time on the related Funding Date, the Purchaser shall not purchase such Receivable from the Seller on such Funding Date. The Trustee shall return to or otherwise handle the files at the direction of the Seller and any file unrelated to a Receivable identified in Schedule A to the related Addition Notice (it being understood that the Trustee's obligation to review the contents of any Receivable File shall be limited as set forth in the preceding sentence).

(b) The Trustee shall make a list of Receivables for which an application for a certificate of title but not an original certificate of title or, with respect to Receivables that finance a vehicle in the States listed in ANNEX B, other evidence of title issued by the applicable Department of Motor - Vehicles or similar authority in such States, is included in the Receivable File as of the date of its review of the Receivable Files and deliver a copy of such list to the Servicer, the Noteholders and the Note Purchaser. On the date which is 180 days following the related Funding Date, and monthly thereafter, the Trustee shall inform the Seller, the Purchaser, the Noteholders and the Note Purchaser of any Receivable for which the related Receivable File on such date does not include an original certificate of title or, with respect to Financed Vehicles in the States listed in ANNEX B, other - evidence of title issued by the applicable Department of Motor Vehicles or similar authority in such States, and the Seller shall repurchase any such Receivable as of the last Business Day of the Accrual Period in which the expiration of such 180 days occurs. In consideration of the purchase of the Receivable, the Seller shall remit the Purchase Amount for such Receivable, in the manner specified in SECTION 5.6. Upon receipt of the Purchase Amount for a Receivable and written instructions from the -- Servicer, the Trustee shall release to the Seller or its designee the related Receivable File and shall execute and deliver all reasonable instruments of transfer or assignment, without recourse, as are prepared by the Seller and delivered to the Trustee and are necessary to vest in the Seller or such designee title to the Receivable.

(c) For those Receivable Files that do not contain an original certificate of title or, with respect to Receivables that finance a vehicle in the States listed in ANNEX B, other evidence of title issued by the applicable Department of Motor Vehicles or similar authority in such States, upon receipt of such original title documents, the Seller shall promptly deliver or cause to be delivered to the Trustee such original title documents to the Trustee to place in the applicable Receivable File.

SECTION 3.5. ACCESS TO RECEIVABLE FILES. The Trustee shall permit the Servicer, the Note Purchaser and the Noteholders access to the Receivable Files at all reasonable times during the Trustee's normal business hours. The Trustee shall, within two Business Days of the request of the Servicer, the Note Purchaser or any Noteholder, execute such documents and instruments as are prepared by the Servicer, the Note Purchaser or such Noteholder and delivered to the Trustee, as the Servicer, the Note Purchaser or such Noteholder deems necessary to permit the Servicer, in accordance with its customary servicing procedures, to enforce

the Receivable on behalf of the Purchaser and any related insurance policies covering the Obligor, the Receivable or Financed Vehicle so long as such execution in the Trustee's sole discretion does not conflict with the Indenture or any other Basic Document and will not cause it undue risk or liability. The Trustee shall not release any document from any Receivable File unless it receives a release request signed by a Servicing Officer in the form of EXHIBIT C hereto (the "RELEASE REQUEST"); PROVIDED, HOWEVER, if a Servicer Termination Event or Event of Default shall have occurred and is continuing, the Trustee shall not release any such Receivable File to the Servicer without the prior written consent of the Note Purchaser. Such Release Request shall obligate the Servicer to return such document(s) to the Trustee when the need therefor no longer exists unless the Receivable shall be liquidated, in which case, the Servicer shall certify in the Release Request that all amounts required to be deposited in the Collection Account with respect to such Receivable have been so deposited. Each Release Request delivered to the Trustee pursuant to this SECTION 3.5 shall be forwarded by the Servicer to the Note Purchaser electronically or by facsimile within one (1) Business Day of delivery to the Trustee together with a list of all Receivables to be released by the Trustee pursuant to such Release Request.

SECTION 3.6. TRUSTEE TO OBTAIN FIDELITY INSURANCE. The Trustee shall maintain a fidelity bond in the form and amount as is customary for entities acting as a trustee of funds and documents in respect of consumer contracts on behalf of institutional investors.

SECTION 3.7. TRUSTEE TO MAINTAIN SECURE FACILITIES. The Trustee shall maintain or cause to be maintained continuous custody of the Receivable Files in secure and fire resistant facilities segregated from any other Receivables of the Seller, the Purchaser or any of their Affiliates in accordance with customary standards for such custody.

ARTICLE IV

ADMINISTRATION AND SERVICING OF RECEIVABLES

SECTION 4.1. DUTIES OF THE SERVICER. The Servicer, as agent for the Purchaser, the Note Purchaser and the Noteholders shall manage, service, administer and make collections on the Receivables with reasonable care, using that degree of skill and attention customary and usual for institutions which service motor vehicle retail installment sale contracts similar to the Receivables and, to the extent more exacting, that the Servicer exercises with respect to all comparable automotive receivables that it services for itself or others. In performing such duties, the Servicer shall comply with its current servicing policies and procedures, as such servicing policies and procedures may be amended from time to time, so long as such amendments will not materially adversely affect the interests of the Note Purchaser or the Noteholders, or otherwise with the prior written consent of the Note Purchaser and the Noteholders (which consent shall not be unreasonably withheld), and notice of such amendments is given to the Note Purchaser and the Noteholders prior to the effectiveness thereof. Without limiting the generality of the foregoing, and subject to the servicing standards set forth in this Agreement including, without limitation, the restrictions set forth in SECTION 4.6, the Servicer is authorized and empowered by the Purchaser to execute and deliver, on behalf of itself, the Purchaser, the Note Purchaser or the Noteholders, any and all instruments of satisfaction or cancellation, or partial or full release or discharge, and all other comparable instruments, with respect to such Receivables or to the Financed Vehicles securing such Receivables and/or the certificates of title or, with respect to Financed Vehicles in the States listed in ANNEX B, other evidence of title issued by the applicable Department of Motor Vehicles or similar authority in such States with respect to such Financed Vehicles. If the Servicer shall commence a legal proceeding to enforce a Receivable, the Purchaser shall thereupon be deemed to have automatically assigned, solely for the purpose of collection, such Receivable to the Servicer. If in any enforcement suit or legal proceeding it shall be held that the Servicer may not enforce a Receivable on the ground that it shall not be a real party in interest or a holder entitled to enforce such Receivable, the Purchaser shall, at the Servicer's expense and direction, take steps to enforce such Receivable, including bringing suit in its name or the name of the Note Purchaser or the Noteholders. The Servicer shall prepare and furnish, and the Trustee shall execute, any powers of attorney and other documents reasonably necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder.

SECTION 4.2. COLLECTION OF RECEIVABLE PAYMENTS; MODIFICATIONS OF RECEIVABLES; LOCKBOX AGREEMENTS.

(a) Consistent with the standards, policies and procedures required by this Agreement, the Servicer shall make reasonable efforts to collect all payments called for under the terms and provisions of the Receivables as and when the same shall become due and shall follow such collection procedures as it follows with respect to all comparable automotive receivables that it services for itself or others; PROVIDED, HOWEVER, that promptly after the Closing Date (or the related Funding Date, as applicable), but in no event more than 30 days thereafter, the Servicer shall notify each Obligor to make all payments with respect to the Receivables to the Post-Office Box. The Servicer will provide each Obligor with a monthly statement in order to notify such Obligors to make payments directly to the Post-Office Box. The Servicer shall allocate collections between principal and interest in accordance with the customary servicing procedures it follows with respect to all comparable automotive receivables that it services for itself or others and in accordance with the terms of this Agreement. The Servicer, for so long as the Seller is the Servicer, may in accordance with the Servicer's Servicing Guidelines grant extensions on a Receivable; PROVIDED, HOWEVER, that the Servicer may not grant more than one (1) extension per calendar year with respect to a Receivable or grant an extension with respect to a Receivable for more than one (1) calendar month or grant more than four (4) extensions in the aggregate with respect to a Receivable without the prior written consent of the Note Purchaser. If the Servicer is not the Seller or the Backup Servicer, the Servicer may not make any extension on a Receivable without the prior written consent of the Note Purchaser (which consent shall not unreasonably be withheld). The Servicer may in its discretion waive any prepayment charge, late payment charge or any other similar fees that may be collected in the ordinary course of servicing a Receivable. Notwithstanding anything to the contrary contained herein, the Servicer shall not agree to any alteration of the interest rate on any Receivable or of the amount of any Scheduled Receivable Payment on Receivables, other than to the extent that such alteration is required by applicable law.

(b) The Servicer shall establish the Lockbox Account in the name of the Purchaser for the benefit of the Trustee for the further benefit of the Noteholders and the Note Purchaser. Pursuant to the Lockbox Agreement, the Trustee has authorized the Servicer to direct dispositions of funds on deposit in the Lockbox Account to the Collection Account (but not to any other account), and no other Person, except the Lockbox Processor and the Trustee, has authority to direct disposition of funds on deposit in the Lockbox Account. However, the Lockbox Agreement shall provide that Lockbox Bank will comply with instructions originated by the Trustee relating to the disposition of the funds in the Lockbox Account without further consent by the Seller, the Servicer or the Purchaser. The Trustee shall have no liability or responsibility with respect to the Lockbox Processor's directions or activities as set forth in the preceding sentence. The Lockbox Account shall be established pursuant to and maintained in accordance with the Lockbox Agreement and shall be a demand deposit account initially established and maintained with Wells Fargo Bank, National Association, or at the request of the the Note Purchaser an Eligible Account satisfying clause (i) of the definition thereof; PROVIDED, HOWEVER, that the Trustee shall give the Servicer prior written notice of any change made at the request of the Note Purchaser in the location of the Lockbox Account. The Servicer shall establish and maintain the Post-Office Box at a United States Post Office Branch in the name of the Purchaser for the benefit of the Trustee for the further benefit of the Noteholders and the Note Purchaser.

(c) Notwithstanding any Lockbox Agreement, or any of the provisions of this Agreement relating to the Lockbox Agreement, the Servicer shall remain obligated and liable to the Purchaser, the Trustee, the Note Purchaser and the Noteholders for servicing and administering the Receivables and the Other Conveyed Property in accordance with the provisions of this Agreement without diminution of such obligation or liability by virtue thereof.

(d) In the event the Seller shall for any reason no longer be acting as the Servicer hereunder, the Backup Servicer or another successor Servicer shall thereupon assume all of the rights and obligations of the outgoing Servicer under the Lockbox Agreement. In such event, the Backup Servicer or such other successor Servicer shall be deemed to have assumed all of the outgoing Servicer's interest therein and to have replaced the outgoing Servicer as a party to the Lockbox Agreement to the same extent as if such Lockbox Agreement had been assigned to the Backup Servicer or such other successor Servicer, except that the outgoing Servicer shall not thereby be relieved of any liability or obligations on the part of the outgoing Servicer to the Lockbox Bank under

such Lockbox Agreement. The outgoing Servicer shall, upon request of the Note Purchaser or the Trustee, but at the expense of the outgoing Servicer, deliver to the Backup Servicer or such other successor Servicer all documents and records relating to the Lockbox Agreement and an accounting of amounts collected and held by the Lockbox Bank and otherwise use its best efforts to effect the orderly and efficient assignment of any Lockbox Agreement to the Backup Servicer or such other successor Servicer. In the event that the Note Purchaser shall elect to change the identity of the Lockbox Bank, the Servicer, at its expense, shall cause the Lockbox Bank to deliver, at the direction of the Note Purchaser, to the Trustee or a successor Lockbox Bank, all documents and records relating to the Receivables and all amounts held (or thereafter received) by the Lockbox Bank (together with an accounting of such amounts) and shall otherwise use its best efforts to effect the orderly and efficient transfer of the Lockbox arrangements.

(e) On each Business Day, pursuant to the Lockbox Agreement, the Lockbox Processor will transfer any payments from Obligors received in the Post-Office Box to the Lockbox Account. Within two (2) Business Days of receipt of funds into the Lockbox Account, the Servicer shall cause the Lockbox Bank to transfer cleared funds from the Lockbox Account to the Collection Account. In addition, the Servicer shall remit all payments by or on behalf of the Obligors received by the Servicer with respect to the Receivables (other than Purchased Receivables) and all Net Liquidation Proceeds no later than two (2) Business Days following receipt directly (without deposit into any intervening account) into the Lockbox Account or the Collection Account. The Servicer shall not commingle its assets and funds with those on deposit in the Lockbox Account.

SECTION 4.3. REALIZATION UPON RECEIVABLES. On behalf of the Purchaser, the Trustee, the Note Purchaser and the Noteholders, the Servicer shall use its best efforts, consistent with the servicing procedures set forth herein, to repossess or otherwise convert the ownership of the Financed Vehicle securing any Receivable as to which the Servicer shall have determined eventual payment in full is unlikely. The Servicer shall commence efforts to repossess or otherwise convert the ownership of a Financed Vehicle on or prior to the date that an Obligor has failed to make more than 90% of a Scheduled Receivable Payment thereon in excess of $10 for 120 days or more; PROVIDED, HOWEVER, that the Servicer may elect not to commence such efforts within such time period if in its good faith judgment it determines either that it would be impracticable to do so or that the proceeds ultimately recoverable with respect to such Receivable would be increased by forbearance. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of automotive receivables, consistent with the standards of care set forth in Section 4.2, which may include reasonable efforts to realize upon any recourse to Dealers and selling the Financed Vehicle at public or private sale. The foregoing shall be subject to the provision that, in any case in which the Financed Vehicle shall have suffered damage, the Servicer shall not expend funds in connection with the repair or the repossession of such Financed Vehicle unless it shall determine in its discretion exercised in good faith that such repair and/or repossession will increase the proceeds ultimately recoverable with respect to such Receivable by an amount greater than the amount of such expenses.

SECTION 4.4. INSURANCE.

(a) The Servicer, in accordance with the servicing procedures and standards set forth herein, shall require that (i) each Obligor shall have obtained insurance covering the Financed Vehicle, as of the date of the execution of the Receivable, insuring against loss and damage due to fire, theft, transportation, collision and other risks generally covered by comprehensive and collision coverage and each Receivable requires the Obligor to maintain such physical loss and damage insurance naming the Seller and its successors and assigns as an additional insured, (ii) each Receivable that finances the cost of premiums for credit life and credit accident and health insurance is covered by an insurance policy or certificate naming the Seller as policyholder (creditor) and (iii) as to each Receivable that finances the cost of an extended service contract, the respective Financed Vehicle which secures the Receivable is covered by an extended service contract (each, a "RECEIVABLES INSURANCE POLICY").

(b) To the extent applicable, the Servicer shall not take any action which would result in noncoverage under any Receivables Insurance Policy which, but for the actions of the Servicer, would have been covered thereunder. The Servicer, on behalf of the Purchaser, the Note Purchaser and the Noteholders, shall take such reasonable action as shall be necessary to permit recovery under

each Receivables Insurance Policy. Any amounts collected by the Servicer under any Receivables Insurance Policy, including, without limitation, proceeds thereof, shall be deposited in the Collection Account within one (1) Business Day of receipt.

SECTION 4.5. MAINTENANCE OF SECURITY INTERESTS IN VEHICLES.

(a) Consistent with the policies and procedures required by this Agreement, the Servicer shall take such steps on behalf of the Purchaser, the Note Purchaser and the Noteholders as are necessary to maintain perfection of the security interest created by each Receivable in the related Financed Vehicle, including but not limited to obtaining the authorization or execution by the Obligors and the recording, registering, filing, re-recording, re-registering and refiling of all security agreements, financing statements and continuation statements or instruments as are necessary to maintain the security interest granted by the Obligors under the respective Receivables. The Trustee hereby authorizes the Servicer, and the Servicer agrees, to take any and all steps necessary to re-perfect or continue the perfection of such security interest on behalf of the Purchaser and Trustee for the benefit of the Noteholders and Note Purchaser as necessary because of the relocation of a Financed Vehicle or for any other reason. In the event that the assignment of a Receivable to the Purchaser, and the pledge thereof by the Purchaser to the Trustee is insufficient, without a notation on the related Financed Vehicle's certificate of title, or without fulfilling any additional administrative requirements under the laws of the state in which the Financed Vehicle is located, to perfect a security interest in the related Financed Vehicle in favor of the Trustee for the benefit of the Noteholders and the Note Purchaser, each of the Trustee and the Seller hereby agrees that the Seller's designation as the secured party on the certificate of title is in respect of the Seller's capacity as Servicer as agent of the Trustee for the benefit of the Noteholders and the Note Purchaser.

(b) Upon the occurrence and continuance of a Servicer Termination Event, the Trustee, and the Servicer shall take or cause to be taken such action as may, in the opinion of counsel to the Trustee, which opinion shall be an expense of the Servicer and shall not be an expense of the Trustee, be necessary to perfect or re-perfect the security interests in the Financed Vehicles securing the Receivables in the name of the Trustee on behalf of the Noteholders and the Note Purchaser by amending the title documents of such Financed Vehicles or by such other reasonable means as may, in the opinion of counsel to the Trustee, which opinion shall be an expense of the Servicer and shall not be an expense of the Trustee, be necessary or prudent.

(c) The Seller hereby agrees to pay all expenses related to such perfection or re-perfection in accordance with clauses (a) and (b) above and to take all action necessary therefor. In addition, the Note Purchaser or the Trustee may instruct the Servicer to take or cause to be taken, and the Servicer shall take or cause to be taken, such action as may, in the judgment of the Trustee or the Note Purchaser, be necessary to perfect or re-perfect the security interest in the Financed Vehicles underlying the Receivables in the name of the Trustee on behalf of the Noteholders and the Note Purchaser, including by amending the title documents of such Financed Vehicles or by such other reasonable means as may, in the judgment of the Trustee or the Note Purchaser, be necessary or prudent; PROVIDED, HOWEVER, that if the Note Purchaser or the Trustee requests that the title documents be amended prior to the occurrence of a Servicer Termination Event, the Servicer shall carry out such action only to the extent that the out-of-pocket expenses of the Servicer shall be reimbursed by the Note Purchaser or the Noteholders, respectively.

SECTION 4.6. ADDITIONAL COVENANTS OF SERVICER.

(a) The Servicer shall not release the Financed Vehicle securing any Receivable from the security interest granted by such Receivable in whole or in part except in the event of payment in full by the Obligor thereunder or repossession or other liquidation of the Financed Vehicle, nor shall the Servicer impair the rights of the Noteholders, the Note Purchaser or the Trustee in such Receivables, nor shall the Servicer amend or otherwise modify a Receivable, except as permitted in accordance with SECTION 4.2.

(b) The Servicer shall obtain and/or maintain all necessary licenses, approvals, authorizations, orders or other actions of any person, corporation or other organization, or of any court, governmental agency or body or official, required in connection with the execution, delivery and performance of this Agreement and the other Basic Documents.

(c) The Servicer shall not make any material changes to its collection policies unless the Note Purchaser expressly consents in writing prior to such changes (which consent shall not be unreasonably withheld).

(d) The Servicer shall provide written notice to the Noteholders and the Note Purchaser of any default, event of default, trigger event or servicer termination event under any other warehouse financing facility or securitization that has occurred and which default, event of default, trigger event or servicer termination shall not have been waived or otherwise cured within the applicable cure period.

(e) The Servicer shall reimburse the Note Purchaser and the Noteholders for any and all fees or expenses that the Note Purchaser or such Noteholders, as applicable, pay to a bank arising out of a return of payments from the Purchaser or the Seller deposited for collection by or for the benefit of the Note Purchaser or the Noteholders, as applicable.

(f) The Servicer will not (i) create, incur or suffer to exist, or agree to create, incur or suffer to exist, or consent to cause or permit in the future (upon the happening of a contingency or otherwise) the creation, incurrence or existence of any lien, security interest, charge, pledge, equity, encumbrance or restriction on transferability of the Receivables and the Other Conveyed Property except (x) for the lien in favor of the Trustee for the benefit of the Noteholders and the Note Purchaser and the restrictions on transferability imposed by this Agreement or any other Basic Document or (y) with respect to any portion of the Receivables and the Other Conveyed Property released in a manner permitted by the Basic Documents from the lien in favor of the Trustee for the benefit of the Noteholders and the Note Purchaser, or (ii) sign or file under the UCC of any jurisdiction any financing statement which names the Seller, the Servicer or the Purchaser as a debtor, or sign any security agreement authorizing any secured party thereunder to file such financing statement, with respect to the Receivables and Other Conveyed Property, except in each case any such instrument solely securing the rights and preserving the lien of the Trustee for the benefit of the Noteholders and the Note Purchaser.

SECTION 4.7. PURCHASE OF RECEIVABLES UPON BREACH OF COVENANT. Upon discovery by any of the Servicer, the Purchaser, the Trustee, the Note Purchaser or any Noteholder of a breach of any of the covenants of the Servicer set forth in SECTION 4.2(A), 4.4, 4.5 or 4.6, the party discovering such breach shall give prompt written notice to the others; PROVIDED, HOWEVER, that the failure to give any such notice shall not affect any obligation of the Servicer under this SECTION 4.7. Unless the breach shall have been cured by the last day of the next Accrual Period following such discovery, the Servicer shall purchase any Receivable materially and adversely affected by such breach. In consideration of the purchase of such Receivable, the Servicer shall remit the Purchase Amount for such Receivable in the manner specified in SECTION 5.6. The sole remedy of the Trustee, the Purchaser, the Note Purchaser or the Noteholders hereunder with respect to a breach of SECTION 4.2(A), 4.4, 4.5 or 4.6 shall be to require the Servicer to repurchase Receivables pursuant to this SECTION 4.7; PROVIDED, however, that the Servicer shall indemnify the Trustee, the Backup Servicer, the Purchaser, the Note Purchaser and the Noteholders against all costs, expenses, losses, damages, claims and liabilities, including reasonable fees and expenses of counsel, which may be asserted against or incurred by any of them as a result of third party claims arising out of the events or facts giving rise to such breach.

SECTION 4.8. SERVICING FEE. The "SERVICING FEE" for each Settlement Date shall be equal (a) to the sum of the following amount calculated for each day in the related Accrual Period: the product of (i) the Servicing Fee Percentage and (ii) the aggregate Principal Balance of the Eligible Receivables minus the Excess Concentration Amount, if any, on such day and (iii) 1/360. The Servicing Fee shall also include all late fees, prepayment charges and other administrative fees or similar charges allowed by applicable law with respect to Receivables, collected (from whatever source) on the Receivables. If the Backup Servicer becomes the successor Servicer, the "Servicing Fee" payable to the Backup Servicer as successor Servicer shall be determined in accordance with the Servicing Assumption Agreement.

SECTION 4.9. SERVICER'S CERTIFICATE. No later than 12:00 noon New York City time on each Determination Date, the Servicer shall deliver (in computer-readable format reasonably acceptable to each such Person) to the Trustee, the Note Purchaser, the Backup Servicer and the Purchaser, a certificate substantially in the form of EXHIBIT A hereto (a "SERVICER'S CERTIFICATE") containing among other things, (i) all information necessary to enable the Trustee to make the distributions required by SECTION 5.7, (ii) all information necessary for the Trustee to send statements to the Noteholders and the Note Purchaser pursuant to SECTION 5.8(B) and 5.9, (iii) a listing of all Purchased Receivables purchased as of the related Accounting Date, identifying the Receivables so purchased, (iv) the calculation of the Borrowing Base as of the last day of the related Accrual Period and (v) all information necessary to enable the Backup Servicer to verify the information specified in SECTION 4.14(B) and to complete the accounting required by SECTION 5.9. In addition to the information set forth in the preceding sentence, each Servicer's Certificate shall also contain the following information: (a) whether a Servicer Termination Event or any other Funding Termination Event has occurred; (b) the Servicer Delinquency Ratio as of the end of the Related Accrual Period; (c) the Servicer Loss Ratio as of such Determination Date; (d) so long as the Servicer is CPS, a certification that the Servicer is in compliance with the financial covenants contained in Sections 10.1(i), (j) and (k) of this Agreement; and (e) such other information reasonably requested by the Note Purchaser and any Noteholder. The Servicer shall deliver to the Trustee, the Noteholders, the Note Purchaser, the Backup Servicer and the Purchaser a hard copy (which may be a facsimile) of any such Servicer's Certificate upon request of such Person.

SECTION 4.10. ANNUAL STATEMENT AS TO COMPLIANCE, NOTICE OF SERVICER TERMINATION EVENT.

(a) The Servicer shall deliver to the Purchaser, to the Trustee, the Note Purchaser and to the Noteholders and the Backup Servicer, on or before March 31 of each year beginning March 31, 2006, an Officer's Certificate, dated as of December 31 of the preceding year, stating that (i) a review of the activities of the Servicer during the preceding 12-month period (or, in the case of the first such certificate, the period from the initial Cutoff Date to December 31, 2005) and of its performance under this Agreement has been made under such officer's supervision and (ii) to the best of such officer's knowledge, based on such review, the Servicer has fulfilled all its obligations under this Agreement throughout such year (or, in the case of the first such certificate, such shorter period), or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and status thereof.

(b) The Servicer shall deliver to the Trustee, the Noteholders, the Note Purchaser and the Backup Servicer, promptly after having obtained knowledge thereof, but in no event later than two (2) Business Days thereafter, written notice in an Officer's Certificate of any event which with the giving of notice or lapse of time, or both, would become a Servicer Termination Event under SECTION 10.1.

SECTION 4.11. INDEPENDENT ACCOUNTANTS' REPORTS. The Servicer shall cause a firm of nationally recognized independent certified public accountants (the "INDEPENDENT ACCOUNTANTS"), who may also render other services to the Servicer or to the Purchaser, to deliver to the Trustee, the Backup Servicer, the Note Purchaser and the Noteholders, on or before April 30 of each year beginning April 30, 2006, a report dated as of December 31 of the preceding year in form and substance reasonably acceptable to the Note Purchaser (the "ACCOUNTANTS' REPORT") and reviewing the Servicer's activities during the preceding 12-month period (or, in the case of the first such report, the period from the Cutoff Date with respect to Receivables transferred to the Purchaser on the initial Funding Date to December 31, 2005), addressed to the Board of Directors of the Servicer, to the Trustee, the Backup Servicer, the Note Purchaser and the Noteholders, to the effect that such firm has examined the financial statements of the Servicer and issued its report therefor and that such examination (1) was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as such firm considered necessary in the circumstances; (2) included tests relating to auto loans serviced for others in accordance with the requirements of the Uniform Single Attestation Program for Mortgage Bankers (the "PROGRAM"), to the extent the procedure in the Program are applicable to the servicing obligations set forth in this Agreement; (3) included an examination of the delinquency and loss statistics relating to the Servicer's portfolio of automobile and light truck installment sale contracts; and (4) except as described in the report, disclosed no exceptions or errors in the records relating to automobile and light truck loans serviced for others that, in the firm's opinion, paragraph four of the Program requires such firm to report. The accountant's report shall further state that (1) a review in accordance with agreed upon procedures was made of two randomly selected Servicer's Certificates; (2) except as disclosed in the report, no exceptions or errors in the Servicer's Certificates were found; and (3) the delinquency and loss information relating to the Receivables and the stated amount of Liquidated Receivables, if any, contained in the Servicer's Certificates were found to be accurate. In the event such firm requires the Trustee and/or the Backup Servicer to agree to the procedures performed by such firm, the Servicer shall direct the Trustee and/or the Backup Servicer, as applicable, in writing to so agree; it being understood and agreed that the Trustee and/or the Backup Servicer will

deliver such letter of agreement in conclusive reliance upon the direction of the Servicer, and neither the Trustee nor the Backup Servicer makes any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures. The Report will also indicate that the firm is independent of the Servicer within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants.

SECTION 4.12. INDEPENDENT ACCOUNTANTS' REVIEW OF RECEIVABLE FILES. Commencing on December 31, 2005 and, thereafter on each March 31, June 30, September 30 and December 31, to the extent that the Invested Amount on any day in the calendar quarter then ending was greater than $10 million (or such other dates as the Note Purchaser may determine in its reasonable discretion from time to time by prior written notice to the Seller, the Servicer and the Trustee), the Seller at its own expense shall cause Independent Accountants reasonably acceptable to the Note Purchaser to conduct a post-funding review of the Seller's compliance with its stated underwriting policies and verify certain characteristics of the Receivables as of each Funding Date. The Independent Accountants shall within ten Business Days complete such physical inspection and limited review and execute and deliver to Seller, the Servicer, the Trustee, the Note Purchaser and the Noteholders a report summarizing the findings. If such review reveals, in the Note Purchaser's reasonable opinion, an unsatisfactory number of exceptions, the Note Purchaser, in its reasonable discretion, may require a full review of a larger sample of the Receivables by the Independent Accountants at the expense of the Seller.

SECTION 4.13. ACCESS TO CERTAIN DOCUMENTATION AND INFORMATION REGARDING RECEIVABLES. The Servicer shall provide to representatives of the Trustee, the Backup Servicer, the Note Purchaser and the Noteholders reasonable access to the documentation regarding the Receivables. In each case, such access shall be afforded without charge but only upon reasonable request and during normal business hours. Nothing in this Section shall derogate from the obligation of the Servicer to observe any applicable law prohibiting disclosure of information regarding the Obligors, and the failure of the Servicer to provide access as provided in this Section as a result of such obligation shall not constitute a breach of this Section.

SECTION 4.14. VERIFICATION OF SERVICER'S CERTIFICATE.

(a) Concurrently with the delivery by the Servicer of the Servicer's Certificate each month, the Servicer will deliver to the Trustee and the Backup Servicer and the Note Purchaser a computer diskette (or other electronic transmission) in a format acceptable to the Trustee and the Backup Servicer containing information with respect to the Receivables as of the close of business on the last day of the preceding Accrual Period which information is necessary for preparation of the Servicer's Certificate. The Backup Servicer shall use such computer diskette (or other electronic transmission) to verify certain information specified in SECTION 4.14(B) contained in the Servicer's Certificate delivered by the Servicer, and the Backup Servicer shall notify the Servicer, the Note Purchaser and the Noteholders of any discrepancies on or before the second Business Day following the Determination Date. In the event that the Backup Servicer reports any discrepancies, the Servicer and the Backup Servicer shall attempt to reconcile such discrepancies by the related Settlement Date, but in the absence of a reconciliation, the Servicer's Certificate shall control for the purpose of calculations and distributions pursuant to clauses (i) through (vii) of Section 5.7(a) hereof with respect to the related Settlement Date. No payments shall be made to the Issuer pursuant to, clause (viii) of Section 5.7(a) hereof until any discrepancies shall have been reconciled. In the event that the Backup Servicer and the Servicer are unable to reconcile discrepancies with respect to a Servicer's Certificate by the related Settlement Date, the Backup Servicer shall notify the Note Purchaser and the Noteholders thereof in writing and the Servicer shall cause a firm of nationally recognized, independent certified public accountants, at the Servicer's expense, to audit the Servicer's Certificate and, prior to the fifth day of the following calendar month, reconcile the discrepancies. The effect, if any, of such reconciliation shall be reflected in the Servicer's Certificate for such next succeeding Determination Date. Other than the duties specifically set forth in this Agreement, the Backup Servicer shall have no obligations hereunder, including, without limitation, to supervise, verify, monitor or administer the performance of the Servicer. The Backup Servicer shall have no liability for any actions taken or omitted by the Servicer. The duties and obligations of the Backup Servicer shall be determined solely by the express provisions of this Agreement and no implied covenants or obligations shall be read into this Agreement against the Backup Servicer.

(b) The Backup Servicer shall review each Servicer's Certificate delivered pursuant to Section 4.14(a) and shall:

(i) confirm that such Servicer's Certificate is complete on its face;

(ii) load the computer diskette (which shall be in a format acceptable to the Backup Servicer) received from the Servicer pursuant to SECTION 4.14(A) hereof, confirm that such computer diskette is in a readable form and calculate and confirm the aggregate of the Principal Balances of the Receivables for the most recent Settlement Date; and

(iii) confirm that Available Funds, the Noteholder's Principal Distributable Amount, the Noteholder's Interest Distributable Amount, the Servicing Fee, the Backup Servicing Fee, the Trustee Fee, the Servicer Delinquency Ratio and the Servicer Loss Ratio in the Servicer's Certificate are accurate based solely on the recalculation of the Servicer's Certificate.

(c) Within 30 days of the Closing Date and within thirty (30) days of the effective date of any renewal of the Term of the Commitment pursuant to Section 2.05 of the Note Purchase Agreement, the Backup Servicer will cause an affiliate of the Backup Servicer to data map to its servicing system all servicing/loan file information, including all relevant borrower contact information such as address and phone numbers as well as loan balance and payment information, including comment histories and collection notes. On or before the fifth calendar day of each month, the Servicer will provide to an affiliate of the Backup Servicer and the Note Purchaser an electronic transmission of all servicing/loan information, including all relevant borrower contact information such as address and phone numbers as well as loan balance and payment information, including comment histories and collection notes, and the Backup Servicer will cause such affiliate to review each file to ensure that it is in readable form and verify that the data balances conform to the trial balance reports received from the Servicer. Additionally, the Backup Servicer shall cause such affiliate to store each such file.

SECTION 4.15. RETENTION AND TERMINATION OF SERVICER. The Servicer hereby covenants and agrees to act as such under this Agreement for an initial term commencing on the Closing Date and ending on November 30, 2005, which term may be extended by the Note Purchaser for successive monthly terms pursuant to written instructions delivered by the Note Purchaser to the Servicer and the Trustee (or, at the discretion of the Note Purchaser exercised pursuant to revocable written standing instructions from time to time to the Servicer and the Trustee, for any specified number of terms greater than one), until such time as the Notes and all other Secured Obligations have been paid in full (each such notice, including each notice pursuant to standing instructions, which shall be deemed delivered at the end of successive terms for so long as such instructions are in effect, a "SERVICER EXTENSION NOTICE"). The Servicer hereby agrees that, upon its receipt of any such Servicer Extension Notice or other extension of its term as Servicer, the Servicer shall become bound, for the duration of the term covered by such Servicer Extension Notice or for the monthly term, as applicable, to continue as the Servicer subject to and in accordance with the other provisions of this Agreement. The Trustee agrees that if as of the twentieth day prior to the last day of any term of the Servicer, the Trustee shall not have received any Servicer Extension Notice as of such date, the Trustee shall, within five days thereafter, give written notice of such non-receipt to the Note Purchaser and the Servicer and the Servicer's term shall not be extended unless a Servicer Extension Notice is received on or before the last day of such term.

SECTION 4.16. ERRORS AND OMISSIONS POLICY AND FIDELITY BOND. The Servicer shall maintain an errors and omissions insurance policy and a fidelity bond in such form and amount as is customary for comparable servicers engaged in the business of servicing motor vehicle receivables.

ARTICLE V

ACCOUNTS; DISTRIBUTIONS; STATEMENTS TO THE NOTEHOLDER

SECTION 5.1. ESTABLISHMENT OF PLEDGED ACCOUNTS.

(a) The Trustee, on behalf of the Noteholders and the Note Purchaser, shall establish and maintain in its own name an Eligible Account (the "COLLECTION ACCOUNT"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Trustee on behalf of the Noteholders and the Note Purchaser. The Collection Account shall initially be established with the Trustee.

(b) The Trustee, on behalf of the Noteholders and the Note Purchaser, shall establish and maintain in its own name an Eligible Account (the "NOTE DISTRIBUTION ACCOUNT"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Trustee on behalf of the Noteholders and the Note Purchaser. The Note Distribution Account shall initially be established with the Trustee.

(c) Funds on deposit in the Collection Account and the Note Distribution Account (collectively, the "PLEDGED ACCOUNTS") shall be invested by the Trustee (or any custodian with respect to funds on deposit in any such account) in Eligible Investments selected in writing by the Servicer or, after the resignation or termination of CPS as Servicer, by the Note Purchaser (pursuant to standing instructions or otherwise). All such Eligible Investments shall be held by or on behalf of the Trustee for the benefit of the Noteholders and the Note Purchaser. Other than as permitted by the Note Purchaser, funds on deposit in any Pledged Account shall be invested in Eligible Investments that will mature so that such funds will be available at the close of business on the Business Day immediately preceding the following Settlement Date. Funds deposited in a Pledged Account on the day immediately preceding a Settlement Date upon the maturity of any Eligible Investments are not required to be invested overnight. All Eligible Investments will be held to maturity. (d) All investment earnings of moneys deposited in the Pledged Accounts shall be deposited (or caused to be deposited) by the Trustee in the Collection Account for distribution pursuant to SECTION 5.7(A), and any loss resulting from such investments shall be charged to such account. The -- Servicer will not direct the Trustee to make any investment of any funds held in any of the Pledged Accounts unless the security interest granted and perfected in such account will continue to be perfected in such investment, in either case without any further action by any Person, and, in connection with any direction to the Trustee to make any such investment, if requested by the Trustee, the Servicer shall deliver to the Trustee an Opinion of Counsel, acceptable to the Trustee, to such effect.

(e) The Trustee shall not in any way be held liable by reason of any insufficiency in any of the Pledged Accounts resulting from any loss on any Eligible Investment included therein except for losses attributable to the Trustee's negligence or bad faith or its failure to make payments on such Eligible Investments issued by the Trustee, in its commercial capacity as principal obligor and not as trustee, in accordance with their terms.

(f) If (i) the Servicer or the Note Purchaser, as applicable, shall have failed to give investment directions for any funds on deposit in the Pledged Accounts to the Trustee by 1:00 p.m. Eastern Time (or such other time as may be agreed by the Purchaser and Trustee) on any Business Day; or (ii) an Event of Default shall have occurred and be continuing with respect to the Notes but the Notes shall not have been declared due and payable, or, if the Notes shall have been declared due and payable following an Event of Default, amounts collected or receivable from the Receivables and the Other Conveyed Property are being applied as if there had not been such a declaration; then the Trustee shall, to the fullest extent practicable, invest and reinvest funds in the Pledged Accounts in an Eligible Investment described in PARAGRAPH (A) OR (F) of the definition thereof.

(g) The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Pledged Accounts and in all proceeds thereof (including all Investment Earnings on the Pledged Accounts) and all such funds, investments, proceeds and income shall be part of Other Conveyed Property and the Collateral. Except as otherwise provided herein, the Pledged Accounts shall be under the sole dominion and control of the Trustee for the benefit of the Noteholders and the Note Purchaser. If at any time any of the Pledged Accounts ceases to be an Eligible Account, the Trustee with the consent of the Note Purchaser shall within five Business Days establish a new Pledged Account as an Eligible Account and shall transfer any cash and/or any investments from the Pledged Account that is no longer an Eligible Account to such new Pledged Account. The Trustee shall promptly notify the Servicer, the Note Purchaser and the Noteholders of any change in the location of any of the aforementioned accounts. In connection with the foregoing, the Trustee agrees that, in the event that any of the Pledged Accounts are not accounts with the Trustee, the Trustee shall notify the Servicer, the Note Purchaser and the Noteholders in writing promptly upon any of such Pledged Accounts ceasing to be an Eligible Account.

(h) Notwithstanding anything to the contrary herein or in any other document relating to a Trust Account, the "securities intermediary's jurisdiction" (within the meaning of Section 8-110 of the UCC) or the "bank's jurisdiction" (with the meaning of 9-304 of the UCC) as applicable, with respect to each Pledged Account shall be the State of New York.

(i) With respect to the Pledged Account Property, the Trustee agrees that:

(i) any Pledged Account Property that is held in deposit accounts shall be held solely in an Eligible Account; and, except as otherwise provided herein, each such Eligible Account shall be subject to the exclusive custody and control of the Trustee and the Trustee shall have sole signature authority with respect thereto; and

(ii) any Pledged Account Property shall be delivered to the Trustee in accordance with the definition of "DELIVERY".

(iii) the Servicer shall have the power, revocable by the Note Purchaser to instruct the Trustee to make withdrawals and payments from the Pledged Accounts for the purpose of permitting the Servicer and the Trustee to carry out their respective duties hereunder.

SECTION 5.2. ESTABLISHMENT OF DEPOSIT ACCOUNT

The Trustee shall establish and maintain the Deposit Account in the name of CPS. The Deposit Account shall be established with the Trustee as the Deposit Account Bank (as defined in the Account Control Agreement) and governed and maintained in accordance with the provisions of the Account Control Agreement. All distributions made by the Issuer and Seller to CPS in respect of CPS's equity interest in the Issuer shall be deposited by the Issuer directly into the Deposit Account. Amounts on deposit in the Deposit Account shall be invested by the Trustee (or any custodian with respect to funds on deposit in any such account) in Eligible Investments selected in writing by CPS (pursuant to standing instructions or otherwise). All investment earnings of moneys deposited in the Deposit Account shall be held in the Deposit Account until withdrawn by CPS (unless otherwise prohibited pursuant to Section 2 of the Account Control Agreement), and any loss resulting from such investments shall be charged to the Deposit Account

SECTION 5.3. CERTAIN REIMBURSEMENTS TO THE SERVICER. The Servicer will be entitled to be reimbursed from amounts on deposit in the Collection Account with respect to an Accrual Period for amounts previously deposited in the Collection Account but later determined by the Servicer to have resulted from mistaken deposits or postings or checks returned for insufficient funds. The amount to be reimbursed hereunder shall be paid to the Servicer on the related Settlement Date pursuant to SECTION 5.7(A)(II) upon certification by the Servicer of such amounts prior to such Settlement Date and the provision of such information to the Trustee and the Note Purchaser prior to such Settlement Date as may be necessary in the opinion of the Note Purchaser to verify the accuracy of such certification; provided, however, that the Servicer must provide such certification within three months of it becoming aware of such mistaken deposit, posting or returned check. In the event that the Note Purchaser has not received evidence satisfactory to it of the Servicer's entitlement to reimbursement pursuant to this Section prior to such Settlement Date, the Note Purchaser shall give the Trustee notice to such effect, following receipt of which the Trustee shall not make a distribution to the Servicer in respect of such amount pursuant to SECTION 5.7, or if prior thereto the Servicer has been reimbursed pursuant to SECTION 5.7, the Trustee shall withhold such amounts from amounts otherwise distributable to the Servicer on the next succeeding Settlement Date.

SECTION 5.4. APPLICATION OF COLLECTIONS.All collections for each Accrual Period shall be applied by the Servicer as follows:

With respect to each Receivable (other than a Purchased Receivable), payments by or on behalf of the Obligor shall be applied to interest and principal in accordance with the Simple Interest Method.

SECTION 5.5. [RESERVED].

SECTION 5.6. ADDITIONAL DEPOSITS. The Servicer, the Issuer, the Purchaser or the Seller, as the case may be, shall each deposit or cause to be deposited in the Collection Account (i) the Purchase Amount with respect to any Purchased Receivable on the date of purchase of such Receivable and (ii) any amounts due the Trustee, Noteholders, the Note Purchaser, the Backup Servicer, the Purchaser (in each case, to the extent not paid directly thereto) in respect of any indemnification obligation of the Servicer, the Issuer, the Purchaser or the Seller under the Basic Documents.

SECTION 5.7. DISTRIBUTIONS.

(a) On each Settlement Date prior to the acceleration of the Notes following an Event of Default, the Trustee (based on the information contained in the Servicer's Certificate delivered on the related Determination Date) shall make the following distributions in the following order of priority from amounts on deposit in the Collection Account:

(i) to the Backup Servicer and the Trustee, as applicable, pro rata from Available Funds, in respect of the Backup Servicing Fee (so long as the Backup Servicer is not acting as successor Servicer), the Trustee Fee, reasonable expenses incurred in connection with transitioning the servicing to the Backup Servicer and all other reasonable out-of-pocket expenses thereof (including counsel fees and expenses) and all unpaid Backup Servicing Fees (so long as the Backup Servicer is not acting as successor Servicer), Trustee Fees, reasonable expenses incurred in connection with transitioning the servicing to the Backup Servicer and all other reasonable out-of-pocket expenses (including counsel fees and expenses) from prior Accrual Periods; PROVIDED, HOWEVER, that expenses payable to each of the Backup Servicer and Trustee pursuant to this clause (i), excluding amounts paid to the Backup Servicer in respect of transition expenses, shall be limited to a total of $25,000 per annum (calculated from November 15, 2005 to November 14, 2006, and each succeeding 364-day period to the extent the Term is extended pursuant to the Note Purchase Agreement); PROVIDED, FURTHER, that the amount of transition expenses distributed to the Backup Servicer during the term of this Agreement pursuant to this clause (i) shall in no case exceed $50,000 in the aggregate;

(ii) to the Servicer, from Available Funds, in respect of the Servicing Fee and all unpaid Servicing Fees from prior Accrual Periods and all reimbursements to which the Servicer is entitled pursuant to SECTION 5.3;

(iii) to the Note Distribution Account, from Available Funds, the Noteholders' Interest Distributable Amount for such Accrual Period;

(iv) to the Note Distribution Account, from Available Funds, the Noteholders' Principal Distributable Amount for such Accrual Period;

(v) to any successor Servicer, from Available Funds, its servicing fees in excess of the Servicing Fee and, to the extent not previously paid by the predecessor Servicer pursuant to this Agreement, reasonable transition expenses (up to a maximum of $50,000 in the aggregate over the term of this Agreement) incurred in becoming the successor Servicer; and

(vi) to the Backup Servicer and the Trustee, as applicable, pro rata, from Available Funds, in respect of reasonable out-of-pocket expenses thereof (including counsel fees and expenses) and reasonable out-of-pocket expenses (including counsel fees and expenses) from prior Accrual Periods to the extent not paid thereto pursuant to SECTION 5.7(A)(I) above; and

(vii) to the Note Distribution Account, from Available Funds, any Margin Call, the Commitment Fee, the Minimum Placement Fee and all other fees, expenses, indemnity payments (to the extent not paid directly) and all other amounts owing to the Note Purchaser and/or the Noteholders under the Basic Documents; and

(viii) to the Issuer, the remaining Available Funds, if any; provided that no Available Funds shall be paid to the Issuer pursuant to this priority (viii) until (x) any amounts owed to the Noteholders and the Note Purchaser pursuant to Sections 3.03, 3.04 and 3.05 of the Note Purchase Agreement have been paid in full and (y) any discrepancies in the Servicer's Certificate shall have been reconciled pursuant to Section 4.14(a) hereof.

(b) Following an acceleration of the Notes after an Event of Default, any money or property that the Trustee collects pursuant to Article V of the Indenture shall be paid pursuant to Section 5.6(a) of the Indenture; provided, however, that Available Funds shall be applied in the order of priority specified in SECTION 5.7(A) above.

(c) In the event that the Collection Account is maintained with an institution other than the Trustee, the Servicer shall instruct and cause such institution to make all deposits and distributions pursuant to SECTION 5.7(A) on the related Settlement Date.

SECTION 5.8. NOTE DISTRIBUTION ACCOUNT.

(a) On each Settlement Date (based solely on the information contained in the Servicer's Certificate), the Trustee shall distribute all amounts on deposit in the Note Distribution Account to the Noteholders in respect of the Notes to the extent of amounts due and unpaid on the Notes for principal and interest, and to the Note Purchaser in respect of other amounts due and owing under the Basic Documents, in the following amounts and in the following order of priority:

(i) to the Noteholders, the Noteholders' Interest Distributable Amount; PROVIDED that if there are not sufficient funds in the Note Distribution Account to pay the entire amount then due on the Note, the amount in the Note Distribution Account shall be applied to the payment of such interest pro rata among the Holders of the Notes;

(ii) to the Noteholders, in reduction of the Invested Amount, the Noteholders' Principal Distributable Amount to pay principal on the Notes until the outstanding principal amount of the Notes have been reduced to zero; PROVIDED that if there are not sufficient funds in the Note Distribution Account to pay the entire amount then due on the Notes, the amount in the Note Distribution Account shall be applied to the payment of such principal pro rata among the Holders of the Notes;

(iii) to the Noteholders, in reduction of the Invested Amount, in an amount necessary to cover any Margin Call;

(iv) to the Note Purchaser, the Commitment Fee;

(v) to the Note Purchaser, if such Settlement Date occurs on or after the Minimum Placement Fee Payment Date, the Minimum Placement Fee; and

(vi) sequentially, to the Note Purchaser and the Noteholders, in that order, any other amounts due the Note Purchaser and the Noteholders, respectively, pursuant to any of the Basic Documents.

(b) On each Settlement Date, the Trustee shall provide or make available electronically (or, upon written request, by first class mail or facsimile) to the Noteholders and the Note Purchaser the statement or statements provided to the Trustee by the Servicer pursuant to SECTION 5.9 hereof on such Settlement Date; PROVIDED HOWEVER, the Trustee shall have no obligation to provide such information described in this SECTION 5.8(B) until it has received the requisite information from the Servicer.

SECTION 5.9. STATEMENTS TO NOTEHOLDERS. (a) On the Determination Date (in accordance with SECTION 4.9), the Servicer shall provide to the Trustee, the Note Purchaser and the Noteholders on the related Record Date a copy of the Servicer's Certificate setting forth at least the following information as to the Notes to the extent applicable in the form attached as hereto EXHIBIT A:

(i) the amount of such distribution allocable to principal of the Notes;

(ii) the amount of such distribution allocable to interest on or with respect to the Notes;

(iii) the aggregate of the Principal Balances of the Receivables as of the close of business on the last day of the preceding Accrual Period;

(iv) the aggregate outstanding principal amount of the Notes;

(v) the amount of the Servicing Fee paid to the Servicer with respect to the related Accrual Period, and the amount of any unpaid Servicing Fees and the change in such amount from the prior Settlement Date;

(vi) (A) the amount of each of the Backup Servicing Fee and the Trustee Fee paid to the Backup Servicer and the Trustee as applicable, with respect to the related Accrual Period, (B) the amount of any unpaid Backup Servicing Fees and Trustee Fees and the change in such amounts from the prior Settlement Date, (C) the amount of all expenses paid to the Trustee and the Backup Servicer, with respect to the related Accrual Period, and (D) the difference between the maximum per annum amount payable to the Trustee and Backup Servicer in respect of expenses (other than servicing transition expenses) as set forth in Section 5.7(a)(i) and the amount paid to the Backup Servicer and Trustee year-to-date (to and including the related Settlement Date) in respect of such expenses;

(vii) the Noteholders' Interest Carryover Shortfall and the Noteholders' Principal Carryover Shortfall, if any;

(viii) the number of Receivables and the aggregate gross amount scheduled to be paid thereon, including unearned finance and other charges, for which the related Obligors are delinquent in making Scheduled Receivable Payments for (a) 31 to 45 days and (d) 46 days or more, in each case as of the last day of the related Accrual Period;

(ix) the amount of aggregate Realized Losses, if any, for the related Accrual Period;

(x) the number of, and the aggregate Purchase Amounts for, Receivables, if any, that were repurchased during the related Interest Period and summary information as to losses and delinquencies with respect to the Receivables as of the end of the related Accrual Period;

(xi) the cumulative amount of Realized Losses from the initial Cutoff Date to the last day of the related Accrual Period; and

(xii) the Servicer Delinquency Ratio as of the end of the related Accrual Period and the Servicer Loss Ratio as of the related Determination Date.

(b) Within 60 days after the end of each calendar year, commencing February 28, 2006, the Servicer shall deliver to the Trustee, and the Trustee shall, provided it has received the necessary information from the Servicer, promptly thereafter furnish to each Noteholder (a) a report (prepared by the Servicer) as to the aggregate of the amounts reported pursuant to subclauses (i), (ii), (v) and (vi) of SECTION 5.9(A) for such preceding calendar year, and (b) such information as may be reasonably requested by such Noteholder or required by the Code and regulations thereunder, to enable such Noteholder to prepare its Federal and State income tax returns. The obligation of the Trustee set forth in this paragraph shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Servicer to such Noteholder pursuant to any requirements of the Code.

(c) The Trustee may make available to the Note Purchaser and the Noteholders via the Trustee's Internet Website, all statements described herein and, with the consent or at the direction of the Seller, such other information regarding the Notes and/or the Receivables as the Trustee may have in its possession, but only with the use of a password provided by the Trustee. The Trustee will make no representation or warranties as to the accuracy or completeness of such documents accurately posted 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 Note Purchaser. 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 Agreement.

SECTION 5.10. DIVIDEND OF INELIGIBLE RECEIVABLES. The Issuer may on the last day of the month in which any Receivables are sold into a securitization transaction distribute any Ineligible Receivables to the Seller as a dividend, free of the deemed security interest referred to in Section 2.2 hereof; PROVIDED THAT there is no Borrowing Base Deficiency immediately after such dividend.

ARTICLE VI

[RESERVED]

ARTICLE VII

THE PURCHASER

SECTION 7.1. REPRESENTATIONS OF PURCHASER. The Purchaser makes the following representations on which the Noteholders shall be deemed to have relied in purchasing the Notes and the Note Purchaser shall have been deemed to have relied in making each Advance. The representations speak as of the execution and delivery of this Agreement and as of each Funding Date, and shall survive the sale of the Receivables to the Purchaser and the pledge thereof to the Trustee for the benefit of the Note Purchaser and the Noteholders pursuant to the Indenture.

(a) ORGANIZATION AND GOOD STANDING. The Purchaser has been duly formed and is validly existing as a limited liability company solely under the laws of the state of Delaware and is in good standing under the laws of the State of Delaware, with power and authority to own its properties and to conduct its business as such properties are currently owned and such business is currently conducted, and had at all relevant times, and now has, power, authority and legal right to acquire, own and pledge the Receivables and the Other Conveyed Property pledged to the Trustee and to enter into and perform its other obligations under this Agreement and each other Basic Document to which it is a party.

(b) DUE QUALIFICATION. The Purchaser is duly qualified to do business as a foreign limited liability company in good standing, and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of property or the conduct of its business (including, without limitation, the purchase of Receivables from CPS, the pledge of Collateral to the Trustee for the benefit of the Note Purchaser and the Noteholders pursuant to the Indenture, and the performance of its other obligations under this Agreement and each other Basic Document) shall require such qualifications.

(c) POWER AND AUTHORITY. The Purchaser has the power (corporate and other) and authority, and has all material government licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being conducted, to execute and deliver this Agreement and the other Basic Documents to which it is a party and to carry out its terms and their terms, respectively; the Purchaser has full power and authority to pledge the Collateral to be pledged to the Trustee for the benefit of the Note Purchaser and the Noteholders by it pursuant to the Indenture and has duly authorized such pledge to the Trustee by all necessary corporate action; and the execution, delivery and performance of this Agreement and the Basic Documents to which the Purchaser is a party have been duly authorized by the Purchaser by all necessary action.

(d) VALID SALE. BINDING OBLIGATIONS. This Agreement effects a valid sale of the Receivables and the Other Conveyed Property, enforceable against the Seller and creditors of and purchasers from the Seller, the Indenture constitutes a valid pledge of the Collateral which constitutes a first priority perfected security interest in the Collateral in favor of the Trustee for the benefit of the Noteholders and the Note Purchaser, enforceable against the Issuer and creditors of and purchasers from the Issuer, and this Agreement and the other Basic Documents to which the Purchaser is a party, when duly executed and delivered, shall constitute legal, valid and binding obligations of the Purchaser enforceable in accordance with their respective 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.

(e) NO VIOLATION. The consummation of the transactions contemplated by this Agreement and the other Basic Documents and the fulfillment of the terms of this Agreement and the other Basic Documents shall not conflict with, result in any breach of any of the terms and provisions of or constitute (with or without notice, lapse of time or both) a default under the Limited Liability Company Agreement of the Purchaser, or any indenture, agreement, mortgage, deed of trust or other instrument to which the Purchaser is a party or by which it is bound, or result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement, mortgage, deed of trust or other instrument, other than the Basic Documents, or violate any law, order, rule, regulation, ordinance or directive of any Governmental Authority applicable to the Purchaser of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Purchaser or any of its properties.

(f) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the Purchaser's knowledge, threatened against the Purchaser, before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality having jurisdiction over the Purchaser or its properties (A) asserting the invalidity of this Agreement, the Notes or any of the Basic Documents, (B) seeking to prevent the issuance of the Notes or the consummation of any of the transactions contemplated by this Agreement or any of the Basic Documents, (C) seeking any determination or ruling that might materially and adversely affect the performance by the Purchaser of its obligations under, or the validity or enforceability of, this Agreement or any of the Basic Documents or otherwise have a Material Adverse Effect or result in a Material Adverse Change in respect of the Purchaser, or (D) relating to the Purchaser or the Collateral and which might adversely affect the federal or State income, excise, franchise or similar tax attributes of the Notes.

(g) NO CONSENTS. The Purchaser is not required to obtain the consent of any other Person and no consent, approval, authorization or order of or declaration or filing with any governmental authority is required for conduct of the Purchaser's business, the issuance or sale of the Notes or the consummation of the other transactions contemplated by this Agreement and the other Basic Documents, except such as have been duly made or obtained or as may be required by the Basic Documents.

(h) TAX RETURNS. The Purchaser has filed all federal and state tax returns that are required to be filed and paid all taxes, including any assessments received by it, to the extent that such taxes have become due. Any taxes, fees and other governmental charges payable by the Purchaser in connection with consummation of the transactions contemplated by this Agreement and the other Basic Documents to which the Purchaser is a party and the fulfillment of the terms of this Agreement and the other Basic Documents to which the Purchaser is a party have been paid or shall have been paid at or prior to the Closing Date and as of each Funding Date.

(i) OTHER OBLIGATIONS. The Purchaser 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 the result of which would have a Material Adverse Effect or result in a Material Adverse Change.

(j) CHIEF EXECUTIVE OFFICE. The chief executive office of the Purchaser is at 16355 Laguna Canyon Road, Irvine, CA 92618.

(k) CERTIFICATE, STATEMENTS AND REPORTS. The officer's certificates, statements, reports and other documents prepared by the Purchaser and furnished by the Purchaser to the Trustee, the Note Purchaser or the Noteholders pursuant to this Agreement or any other Basic Document to which it is a party, or otherwise in connection with the transactions contemplated hereby or thereby, when taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein not misleading.

(l) LEGAL COUNSEL, ETC. The Purchaser consulted with its own legal counsel and independent accountants to the extent it deems necessary regarding the tax, accounting and regulatory consequences of the transactions contemplated hereby, the Purchaser is not participating in such transactions in reliance on any representations of any other party, their affiliates, or their counsel with respect to tax, accounting, regulatory or any other matters.

(m) NO DEFAULT. The Purchaser is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in, and is not otherwise in default under (i) any law or statute applicable to it, including, without limitation, any Consumer Law, (ii) any judgment, decree, writ, injunction, order, award or other action of any court or governmental authority or arbitrator or any order, rule or regulation of any federal, state, county, municipal or other governmental or public authority or agency having or asserting jurisdiction over it or any of its properties or (iii) (x) any indebtedness or any instrument or agreement under or pursuant to which any such indebtedness has been, or could be, issued or incurred or (y) any other instrument or agreement to which it is a party or by which it is bound or any of its properties is affected, including, without limitation, the Basic Documents, that either individually or in the aggregate, (A) would result in a Material Adverse Change with respect to the Purchaser, or in any impairment of the right or ability of the Purchaser to carry on its business substantially as now conducted or (B) would result in a Material Adverse Effect.

(n) ERISA. The Purchaser does not maintain any Plans, and the Purchaser agrees to notify the Note Purchaser in advance of forming any Plans. Neither the Issuer nor any Affiliate of the Purchaser (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 Purchaser will give notice to the Note Purchaser and the Noteholders 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 Purchaser or any Affiliate are in substantial compliance with all applicable laws (including ERISA). The Purchaser is not an employer under any Multiemployer Plan.

(o) COMPLIANCE WITH LAWS. The Purchaser has complied and will comply in all material respects with all applicable laws, rules, regulations, judgments, agreements, decrees and orders with respect to its business and properties.

ARTICLE VIII

THE SELLER

SECTION 8.1. REPRESENTATIONS OF SELLER. The Seller makes the following representations on which the Purchaser shall be deemed to have relied in acquiring the Receivables, the Noteholders shall be deemed to have relied in purchasing the Notes and the Note Purchaser shall have been deemed to have relied in making each Advance. The representations speak as of the execution and delivery of this Agreement, as of the Closing Date and as of each Funding Date, and shall survive the sale of the Receivables to the Purchaser and the pledge thereof by the Purchaser to the Trustee for the benefit of the Noteholders and the Note Purchaser pursuant to the Indenture.

(a) ORGANIZATION AND GOOD STANDING. The Seller has been duly organized and is validly existing as a corporation solely under the laws of the State of California and is in good standing under the laws of the State of California, with power and authority to own its properties and to conduct its business as such properties are currently owned and such business is currently conducted, and had at all relevant times, and now has, power, authority and legal right to acquire, own and sell the Receivables and the Other Conveyed Property transferred to the Purchaser and to perform its other obligations under this Agreement or any other Basic Documents to which it is a party.

(b) DUE QUALIFICATION. The Seller is duly qualified to do business as a foreign corporation in good standing and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including, without limitation, the origination or purchase of motor vehicle retail installment sales contracts, the sale of the Receivables to the Purchaser hereunder, the servicing of the Receivables as required by this Agreement, and its other obligations hereunder and under the other Basic Documents) requires or shall require such qualification except where the failure to so qualify or obtain such licenses or consents would result in a Material Adverse Effect or a Material Adverse Change.

(c) POWER AND AUTHORITY. The Seller has the power (corporate and other) and authority, and has all material government licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being conducted, to execute and deliver this Agreement and the other Basic Documents to which it is a party and to carry out its terms and their terms, respectively; the Seller has full power and authority to sell and assign the Receivables and the Other Conveyed Property to be sold and assigned to and deposited with the Purchaser by it and has duly authorized such sale and assignment to the Purchaser by all necessary corporate action; and the execution, delivery and performance of this Agreement and the Basic Documents to which the Seller is a party have been duly authorized by the Seller by all necessary corporate action.

(d) VALID SALE; BINDING OBLIGATIONS. This Agreement effects a valid sale, transfer and assignment of the Receivables and the Other Conveyed Property to the Purchaser, enforceable against the Seller and creditors of and purchasers from the Seller; and this Agreement and the Basic Documents to which the Seller is a party, when duly executed and delivered, shall constitute legal, valid and binding obligations of the Seller enforceable in accordance with their respective 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.

(e) NO VIOLATION. The consummation of the transactions contemplated by this Agreement and the Basic Documents and the fulfillment of the terms of this Agreement and the Basic Documents does not conflict with, result in any breach of any of the terms and provisions of or constitute (with or without notice, lapse of time or both) a default under the certificate of incorporation or by-laws of the Seller, or any indenture, agreement, mortgage, deed of trust or other instrument to which the Seller is a party or by which it is bound, or result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement, mortgage, deed of trust or other instrument, other than the Basic Documents, or violate any law, order, rule, regulation, ordinance or directive of any Governmental Authority applicable to the Seller of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller or any of its properties.

(f) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the Seller's knowledge, threatened against the Seller, before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality having jurisdiction over the Seller or its properties (A) asserting the invalidity of this Agreement or any of the Basic Documents, (B) seeking to prevent the issuance of the Notes or the consummation of any of the transactions contemplated by this Agreement or any of the Basic Documents, or (C) seeking any determination or ruling that might materially and adversely affect the performance by the Seller of its obligations under, or the validity or enforceability of, this Agreement or any of the other Basic Documents or otherwise have a Material Adverse Effect or result in a Material Adverse Change in respect of the Seller or (D) relating to the Seller or the Receivables or Other Conveyed Property and which might adversely affect the federal or State income, excise, franchise or similar tax attributes of the Notes.

(g) NO CONSENTS. No consent, approval, authorization or order of or declaration or filing with any governmental authority is required for the conduct of the Seller's business, the issuance or sale of the Notes or the consummation of the other transactions contemplated by this Agreement and the Basic Documents, except such as have been duly made or obtained.

(h) FINANCIAL CONDITION. The Seller has a positive net worth and is able to and does pay its liabilities as they mature. The Seller is not in default under any obligation to pay money to any Person except for matters being disputed in good faith which do not involve an obligation of the Seller on a promissory note. The Seller will not use the proceeds from the transactions contemplated by the Basic Documents to give any preference to any creditor or class of creditors, and such transactions will not leave the Seller with remaining assets which are unreasonably small compared to its ongoing operations.

(i) FRAUDULENT CONVEYANCE. The Seller is not selling the Receivables to the Purchaser with any intent to hinder, delay or defraud any of its creditors; the Seller will not be rendered insolvent as a result of the sale of the Receivables to the Purchaser.

(j) TAX RETURNS. The Seller has filed all material federal and state tax returns that are required to be filed and paid all material taxes, including any assessments received by it, to the extent that such taxes have become due (other than taxes, the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Seller). Any taxes, fees and other governmental charges payable by the Seller in connection with consummation of the transactions contemplated by this Agreement and the other Basic Documents to which the Seller is a party and the fulfillment of the terms of this Agreement and the other Basic Documents to which the Seller is a party have been paid or shall have been paid as of each Funding Date.

(k) CHIEF EXECUTIVE OFFICE. The Seller has more than one place of business, and the chief executive office of the Seller is at 16355 Laguna Canyon Road, Irvine, CA 92618 and its organizational number is 1682500.

(l) CERTIFICATE, STATEMENTS AND REPORTS. The officer's certificates, statements, reports and other documents prepared by Seller and furnished by Seller to the Purchaser, the Trustee, the Note Purchaser or the Noteholders pursuant to this Agreement or any other Basic Document to which it is a party, or otherwise in connection with the transactions contemplated hereby or thereby, when taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein not misleading.

(m) LEGAL COUNSEL, ETC. Seller consulted with its own legal counsel and independent accountants to the extent it deems necessary regarding the tax, accounting and regulatory consequences of the transactions contemplated hereby, Seller is not participating in such transactions in reliance on any representations of any other party, their affiliates, or their counsel with respect to tax, accounting and regulatory matters.

(n) NO MATERIAL ADVERSE CHANGE AS OF SEPTEMBER 30, 2005. No Material Adverse Change has occurred with respect to the Seller since the end of the quarter reported on in the Seller's Form 10-Q filed with the Commission on November 3, 2005.

(o) NO DEFAULT. The Seller is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in, and is not otherwise in default under (i) any law or statute applicable to it, including, without limitation, any Consumer Law, (ii) any judgment, decree, writ, injunction, order, award or other action of any court or governmental authority or arbitrator or any order, rule or regulation of any federal, state, county, municipal or other governmental or public authority or agency having or asserting jurisdiction over it or any of its properties or (iii) (x) any indebtedness or any instrument or agreement under or pursuant to which any such indebtedness has been, or could be, issued or incurred or (y) any other instrument or agreement to which it is a party or by which it is bound or any of its properties is affected, including, without limitation, the Basic Documents, that either individually or in the aggregate, (A) would result in a Material Adverse Change with respect to the Seller, or in any impairment of the right or ability of the Seller to carry on its business substantially as now conducted or (B) would result in a Material Adverse Effect.

(p) OTHER OBLIGATIONS. The Seller 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 agreement or instrument to which it is a party or by which it is bound the result of which would have a Material Adverse Effect or result in a Material Adverse Change.

(q) ERISA. The Seller does not maintain any Plans (other than its defined contribution (401(k)) plan and the MFN Financial Corporation Pension Plan), and the Seller agrees to notify the Note Purchaser in advance of forming any Plans. Neither the Seller nor any Affiliate of the Seller (other than MFN under the MFN Financial Corporation Pension 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 Seller will give notice to the Note Purchaser 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 Seller or any Affiliate are in substantial compliance with all applicable laws (including ERISA). The Seller is not an employer under any Multiemployer Plan.

(r) COMPLIANCE WITH LAWS. The Seller has complied and will comply in all material respects with all applicable laws, rules, regulations, judgments, agreements, decrees and orders with respect to its business and properties.

SECTION 8.2. ADDITIONAL COVENANTS OF THE SELLER.

(a) SALE. The Seller agrees to treat the conveyances hereunder as financings for tax and accounting purposes and as sales for all other purposes (including without limitation legal and bankruptcy purposes) on all relevant books, records, tax returns, financial statements and other applicable documents.

(b) NON-PETITION. In the event of any breach of a representation and warranty made by the Purchaser hereunder, the Seller covenants and agrees that it will not take any action to pursue any remedy that it may have hereunder, in law, in equity or otherwise, until a year and a day have passed since the date on which the Notes issued by the Issuer and all other amounts due and owing to the Noteholders and the Note Purchaser pursuant to the Basic Documents have been paid in full. The Purchaser and the Seller agree that damages will not be an adequate remedy for breach of this covenant and that this covenant may be specifically enforced by the Purchaser, by the Trustee on behalf of the Noteholders and the Note Purchaser, by the Note Purchaser or by the Majority Noteholders.

(c) CHANGES TO SELLER'S CONTRACT PURCHASE GUIDELINES. The Seller covenants that it will not make any material credit-related changes to the Seller's Contract Purchase Guidelines without the prior written consent of the Note Purchaser (which consent shall not unreasonably be withheld). The Seller covenants to provide prompt written notice to the Note Purchaser upon any material change made to the Seller's Contract Purchase Guidelines.

(d) COOPERATION. If an Event of Default shall have occurred and be continuing, Seller shall cooperate with and provide all information and access requested by the Trustee, the Note Purchaser and/or the Noteholders in connection with any actions taken pursuant to SECTION 5.4 of the Indenture.

SECTION 8.3. LIABILITY OF SELLER; INDEMNITIES. The Seller shall indemnify the Purchaser, the Backup Servicer, the Trustee, the Noteholders, the Note Purchaser and their respective officers, directors, agents and employees for any liability as a result of the failure of a Receivable to be originated in compliance with all requirements of law and for any breach of any of its representations, warranties, covenants or other agreements contained herein.

(a) The Seller shall defend, indemnify, and hold harmless the Purchaser, the Backup Servicer, the Trustee, the Noteholders, the Note Purchaser and their respective officers, directors, agents and employees from and against any and all costs, expenses, losses, damages, claims, and liabilities, arising out of or resulting from the use, ownership, or operation by the Seller, any Affiliate thereof or any of their respective agents or subcontractors, of a Financed Vehicle.

(b) The Seller shall indemnify, defend and hold harmless the Purchaser, the Backup Servicer, the Trustee, the Noteholders, the Note Purchaser and their respective officers, directors, agents and employees from and against any taxes that may at any time be asserted against any such Person with respect to the transactions contemplated in this Agreement and any of the Basic Documents (except any income taxes arising out of fees paid to the Trustee and the Backup Servicer and except any taxes to which the Trustee may otherwise be subject), including without limitation any sales, gross receipts, general corporation, tangible personal property, privilege or license taxes (but, in the case of the Purchaser, not including any taxes asserted with respect to federal or other income taxes arising out of distributions on the Notes) and costs and expenses in defending against the same.

(c) The Seller shall indemnify, defend and hold harmless the Purchaser, the Backup Servicer, the Trustee, the Noteholders, the Note Purchaser and their respective officers, directors, agents and employees from and against any loss, liability or expense incurred by reason of (i) the Seller's willful misfeasance, bad faith or negligence in the performance of its duties under this Agreement, or by reason of reckless disregard of its obligations and duties under this Agreement and/or (ii) the Seller's or the Purchaser's violation of federal or State securities laws in connection with the offering and sale of the Notes

(d) The Seller shall indemnify, defend and hold harmless the Trustee and the Backup Servicer and its officers, directors, employees and agents from and against any and all costs, expenses, losses, claims, damages and liabilities arising out of, or incurred in connection with the acceptance or performance of the trusts and duties set forth herein and in the Basic Documents except to the extent that such cost, expense, loss, claim, damage or liability shall be due to the willful misfeasance, bad faith or negligence (except for errors in judgment) of the Trustee or the Backup Servicer.

(e) The Seller shall indemnify, defend and hold harmless the Purchaser, the Backup Servicer, the Trustee, the Noteholders, the Note Purchaser and their respective officers, directors, agents and employees from and against any and all costs, expenses, losses, claims, damages and liabilities arising out of or relating to the failure of a Receivable to be originated in compliance with all requirements of law, including without limitation all Consumer Laws, and for any breach of any of the Seller's representations and warranties, covenants or other agreements contained herein (including, without limitation, the representations contained in SECTION 3.1 hereof) or in any other Basic Document to which the Seller is a party.

Indemnification under this Section shall survive the resignation or removal of the Servicer or the Trustee and the termination of this Agreement and the other Basic Documents and shall include reasonable fees and expenses of counsel and other expenses of litigation. These indemnity obligations shall be in addition to any obligation that the Seller may otherwise have under applicable law, hereunder or under any other Basic Document. If the Seller shall have made any indemnity payments pursuant to this Section and the Person to or on behalf of whom such payments are made thereafter shall collect any of such amounts from others, such Person shall promptly repay such amounts to the Seller, without interest.

Notwithstanding any provision of this Section 8.3 or any other provision of this Agreement, nothing herein shall be construed as to require the Seller to provide any indemnification hereunder or under any other Basic Document for any costs, expenses, losses, claims, damages or liabilities arising out of, or incurred in connection with, credit losses with respect to the Receivables.

SECTION 8.4. MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF, SELLER. Seller shall not merge or consolidate with any other person, convey, transfer or lease substantially all its assets as an entirety to another Person, or permit any other Person to become the successor to Seller's business unless, after the merger, consolidation, conveyance, transfer, lease or succession, the successor or surviving entity shall be capable of fulfilling the duties of Seller contained in this Agreement and the other Basic Documents to which it is a party. Any corporation (i) into which Seller may be merged or consolidated, (ii) resulting from any merger or consolidation to which Seller shall be a party, (iii) which acquires by conveyance, transfer, or lease substantially all of the assets of Seller, or (iv) succeeding to the business of Seller, in any of the foregoing cases shall execute an agreement of assumption to perform every obligation of Seller under this Agreement and the other Basic Documents to which it is a party and, whether or not such assumption agreement is executed, shall be the successor to Seller under this Agreement and the other Basic Documents to which it is a party without the execution or filing of any paper or any further act on the part of any of the parties to this Agreement, anything in this Agreement to the contrary notwithstanding; PROVIDED, HOWEVER, that nothing contained herein shall be deemed to release Seller from any obligation. Seller shall provide notice of any merger, consolidation or succession pursuant to this Section to the Trustee, the Note Purchaser and the Noteholders. Notwithstanding the foregoing, Seller shall not merge or consolidate with any other Person or permit any other Person to become a successor to Seller's business, unless (x) immediately after giving effect to such transaction, no representation or warranty made pursuant to SECTION 8.1 shall have been breached (for purposes hereof, such representations and warranties shall be deemed made as of the date of the consummation of such transaction) and no event that, after notice or lapse of time, or both, would become an Event of Default shall have occurred and be continuing, (y) Seller shall have delivered to the Trustee, the Note Purchaser and the Noteholders an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, and (z) Seller shall have delivered to the Trustee, the Note Purchaser and the Noteholders an Opinion of Counsel, stating in the opinion of such counsel, either (A) all financing statements and continuation statements and amendments thereto have been authorized and filed that are necessary to preserve and protect the interest of the Purchaser and the Trustee in the Opinion Collateral and reciting the details of the filings or (B) no such action shall be necessary to preserve and protect such interest.

SECTION 8.5. [RESERVED].

SECTION 8.6. REPORTING REQUIREMENTS. (a) The Seller shall furnish, or cause to be furnished to the Noteholders and Note Purchaser:

(i) AUDIT REPORT. As soon as available and in any event within 90 days after the end of each fiscal year of the Seller, a copy of the consolidated balance sheet of the Seller and its Affiliates as at the end of such fiscal year, together with the related statements of earnings, stockholders' equity and cash flows for such fiscal year, prepared in reasonable detail and in accordance with GAAP certified by independent certified public accountants of recognized national standing as shall be selected by the Seller.

(ii) QUARTERLY STATEMENTS. As soon as available, but in any event within 45 days after the end of each fiscal quarter (except the

fourth fiscal quarter) of the Seller, copies of the unaudited condensed consolidated balance sheet of the Seller and its Affiliates as at the end of such fiscal quarter and the related unaudited statements of

earnings, stockholders' equity and cash flows for the portion of the fiscal year through such fiscal quarter (and as to the statements of earnings for such fiscal quarter) in each case setting forth in comparative form the figures for the corresponding periods of the previous fiscal year, prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and certified by the chief financial or accounting officer of the Seller as presenting fairly the financial condition and results of operations of the Seller and its Affiliates (subject to normal year-end adjustments).

(b) For so long as Seller is subject to the reporting requirements of Section 13(a) of the Exchange Act, its filing of the annual and quarterly reports required under said act, on a timely basis, shall be deemed compliance with this Section 8.6.

ARTICLE IX

THE SERVICER

SECTION 9.1. REPRESENTATIONS AND COVENANTS OF SERVICER. The Servicer (and the Backup Servicer, in the case of clause (j) below) makes the following representations and covenants on which the Purchaser shall be deemed to have relied in acquiring the Receivables, on which the Noteholders shall be deemed to have relied in purchasing the Notes and on which the Note Purchaser shall be deemed to have relied in making each Advance. The representations speak as of the execution and delivery of this Agreement and as of the Closing Date, in the case of Receivables conveyed by the Closing Date, and as of the applicable Funding Date, in the case of Receivables conveyed by such Funding Date, and the representations and covenants shall survive the sale of the Receivables to the Purchaser and the pledge thereof to the Trustee for the benefit of the Noteholders and the Note Purchaser pursuant to the Indenture.

(a) ORGANIZATION AND GOOD STANDING. The Servicer has been duly organized and is validly existing as a corporation and in good standing under the laws of the State of California, with power, authority and legal right to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted, and had at all relevant times, and shall have, power, authority and legal right to acquire, own and service the Receivables.

(b) DUE QUALIFICATION. The Servicer is duly qualified to do business as a foreign corporation in good standing and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the Receivables as required by this Agreement) requires or shall require such qualification except where the failure to so qualify or obtain such licenses or consents would not result in a Material Adverse Effect or a Material Adverse Change.

(c) POWER AND AUTHORITY. The Servicer has the power and authority to execute and deliver this Agreement and the Basic Documents to which it is a party and to carry out its terms and their terms, respectively, and the execution, delivery and performance of this Agreement and the Basic Documents to which it is a party have been duly authorized by the Servicer by all necessary corporate action.

(d) BINDING OBLIGATION. This Agreement and the Basic Documents to which the Servicer is a party shall constitute legal, valid and binding obligations of the Servicer enforceable in accordance with their respective 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.

(e) NO VIOLATION. The consummation of the transactions contemplated by this Agreement and the Basic Documents to which to the Servicer is a party, and the fulfillment of the terms of this Agreement and the Basic Documents to which the Servicer is a party, shall not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the articles of incorporation or bylaws of the Servicer, or any indenture, agreement, mortgage, deed of trust or other instrument to which the Servicer is a party or by which it is bound or any of its properties are subject, or result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement, mortgage, deed of trust or other instrument, other than the Basic Documents, or violate any law, order, rule or regulation applicable to the Servicer of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or any of its properties.

(f) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the Servicer's knowledge, threatened against the Servicer, before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality having jurisdiction over the Servicer or its properties (A) asserting the invalidity of this Agreement or any of the Basic Documents, (B) seeking to prevent the issuance of the Notes or the consummation of any of the transactions contemplated by this Agreement or any of the Basic Documents, or (C) seeking any determination or ruling that might materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, this Agreement or any of the other Basic Documents or otherwise have a Material Adverse Effect or result in a Material Adverse Change, or (D) relating to the Servicer and which might adversely affect the federal or state income, excise, franchise or similar tax attributes of the Notes.

(g) NO CONSENTS. No consent, approval, authorization or order of or declaration or filing with any governmental authority is required for the issuance or sale of the Notes or the consummation of the other transactions contemplated by this Agreement, except such as have been duly made or obtained.

(h) TAXES. The Servicer has filed all federal and state tax returns that are required to be filed and paid all taxes, including any assessments received by it, to the extent that such taxes have become due (other than taxes, the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Servicer). Any taxes, fees and other governmental charges payable by the Servicer in connection with consummation of the transactions contemplated by this Agreement and the other Basic Documents to which the Servicer is a party and the fulfillment of the terms of this Agreement and the other Basic Documents to which the Servicer is a party have been paid or shall have been paid as of each Funding Date.

(i) CHIEF EXECUTIVE OFFICE. The Servicer hereby represents and warrants to the Trustee that the Servicer's principal place of business and chief executive office is 16355 Laguna Canyon Road, Irvine, California 92618.

(j) DATA MAPPING. Neither the Servicer nor the Backup Servicer is aware of any fact that would cause such Person reasonably to believe that the Servicer's servicing data cannot be mapped from the Servicer's system to the Backup Servicer's system.

(k) CHANGES TO SERVICING GUIDELINES. The Servicer covenants that it will not make any material changes to the Servicing Guidelines prior to the Termination Date without the prior written consent of the Note Purchaser (which consent shall not unreasonably be withheld).

(l) COOPERATION. If an Event of Default shall have occurred and be continuing, Servicer shall cooperate with and provide all information and access reasonably requested by the Trustee, the Note Purchaser and the Noteholders in connection with any actions taken pursuant to SECTION 5.4 of the Indenture.

SECTION 9.2. LIABILITY OF SERVICER; INDEMNITIES.

(a) The Servicer (in its capacity as such) shall be liable hereunder only to the extent of the obligations in this Agreement specifically undertaken by the Servicer and the representations made by the Servicer in the Basic Documents to which it is a party.

(i) The Servicer shall defend, indemnify and hold harmless the Purchaser, the Trustee, the Backup Servicer, the Noteholders, the Note Purchaser and their respective officers, directors, agents and employees from and against any and all costs, expenses, losses, damages, claims and liabilities, arising out of or resulting from the use, ownership, repossession or operation by the Servicer or any Affiliate or agent or sub-contractor thereof of any Financed Vehicle.

(ii) The Servicer, so long as CPS is the Servicer, shall indemnify, defend and hold harmless the Purchaser, the Trustee, the Backup Servicer, the Noteholders, the Note Purchaser and their respective officers, directors, agents and employees from and against any taxes that may at any time be asserted against any of such parties with respect to the transactions contemplated in this Agreement and the other Basic Documents, including, without limitation, any sales, gross receipts, general corporation, tangible personal property, privilege or license taxes (but not including any federal or other income taxes, including franchise taxes asserted with respect to, and as of the date of, the sale of the Receivables and the Other Conveyed Property to the Purchaser, the pledge thereof to the Trustee for the benefit of the Note Purchaser and the Noteholders or the issuance and original sale of the Notes) and costs and expenses in defending against the same.

(iii) The Servicer shall indemnify, defend and hold harmless the Purchaser, the Trustee, the Backup Servicer, the Noteholders, the Note Purchaser and their respective officers, directors, agents and employees from and against any and all costs, expenses, losses, claims, damages, and liabilities to the extent that such cost, expense, loss, claim, damage, or liability arose out of, or was imposed upon the Purchaser, the Trustee, the Backup Servicer, the Noteholders or the Note Purchaser through the negligence, willful misfeasance or bad faith of the Servicer in the performance of its duties under this Agreement or by reason of reckless disregard of its obligations and duties under this Agreement or as a result of a breach of any representation, warranty, covenant or other agreement made by the Servicer in this Agreement or in any other Basic Document to which it is a party.

(iv) The Servicer shall indemnify, defend, and hold harmless the Trustee and the Backup Servicer from and against all costs, expenses, losses, claims, damages, and liabilities arising out of or incurred in connection with the acceptance or performance of the trusts and duties herein contained, except to the extent that such cost, expense, loss, claim, damage or liability: (A) shall be due to the willful misfeasance, bad faith, or negligence (except for errors in judgment) of the Trustee or the Backup Servicer, as applicable or (B) relates to any tax other than the taxes with respect to which the Servicer shall be required to indemnify the Trustee or the Backup Servicer.

(v) The Servicer shall indemnify, defend and hold harmless the Purchaser, the Backup Servicer, the Trustee, the Noteholders, the Note Purchaser and their respective officers, directors, agents and employees from and against any and all costs, expenses, losses, claims, damages and liabilities arising out of or relating to the failure of a Receivable to be serviced in compliance with all requirements of law, including without limitation all Consumer Laws, and for any breach of any of the Servicer's representations and warranties, covenants or other agreements contained herein or in any other Basic Document to which the Servicer is a party.

(b) Notwithstanding the foregoing, the Servicer shall not be obligated to defend, indemnify, and hold harmless any Noteholder or the Note Purchaser for any losses, claims, damages or liabilities incurred by such Noteholder or the Note Purchaser arising out of claims, complaints, actions and allegations relating to Section 406 of ERISA or Section 4975 of the Code as a result of the purchase or holding of any Note by such Noteholder or the Note Purchaser with the assets of a plan subject to such provisions of ERISA or the Code.

(c) For purposes of this SECTION 9.2, in the event of the termination of the rights and obligations of the Servicer (or any successor thereto pursuant to SECTION 9.3) as Servicer pursuant to SECTION 10.1, or a resignation by such Servicer pursuant to this Agreement, such Servicer shall be deemed to be the Servicer pending appointment of a successor Servicer pursuant to SECTION 10.2. The provisions of this SECTION 9.2(C) shall in no way affect the survival pursuant to SECTION 9.2(D) of the indemnification by the Servicer provided by SECTION 9.2(A).

(d) Indemnification under this SECTION 9.2 shall survive the termination of this Agreement and the other Basic Documents and any resignation or removal of CPS or any successor Servicer as Servicer and shall include reasonable fees and expenses of counsel and expenses of litigation. These indemnity obligations shall be in addition to any obligation that the Servicer may otherwise have under applicable law, hereunder or under any other Basic Document. If the Servicer shall have made any indemnity payments pursuant to this Section and the recipient thereafter collects any of such amounts from others, the recipient shall promptly repay such amounts to the Servicer, without interest.

SECTION 9.3. MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF THE SERVICER OR BACKUP SERVICER.

(a) The Servicer shall not merge or consolidate with any other Person, convey, transfer or lease all or substantially all of its assets as an entirety to another Person, or permit any other Person to become the successor to the Servicer's business unless, after the merger, consolidation, conveyance, transfer, lease or succession, the successor or surviving entity shall be capable of fulfilling the duties of the Servicer contained in this Agreement and the other Basic Documents to which it is a party. Any corporation (i) into which the Servicer may be merged or consolidated, (ii) resulting from any merger or consolidation to which the Servicer shall be a party, (iii) which acquires by conveyance, transfer, or lease substantially all of the assets of the Servicer, or (iv) succeeding to the business of the Servicer, in any of the foregoing cases shall execute an agreement of assumption to perform every obligation of the Servicer under this Agreement and the other Basic Documents to which it is a party and, whether or not such assumption agreement is executed, shall be the successor to the Servicer under this Agreement and the other Basic Documents to which it is a party without the execution or filing of any paper or any further act on the part of any of the parties to this Agreement, anything in this Agreement to the contrary notwithstanding; PROVIDED, HOWEVER, that nothing contained herein shall be -- - deemed to release the Servicer from any obligation. The Servicer shall provide notice of any merger, consolidation or succession pursuant to this Section to the Trustee, the Note Purchaser and the Noteholders. Notwithstanding the foregoing, the Servicer shall not merge or consolidate with any other Person or permit any other Person to become a successor to the Servicer's business, unless (x) immediately after giving effect to such transaction, no representation or warranty made pursuant to SECTION 9.1 shall have been breached (for purposes hereof, such representations and warranties shall be -- deemed made as of the date of the consummation of such transaction) and no event that, after notice or lapse of time, or both, would become Event of Default shall have occurred and be continuing, (y) the Servicer shall have delivered to the Trustee, the Note Purchaser and the Noteholders an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, and (z) the Servicer shall have delivered to the Trustee, the Note Purchaser and the Noteholders an Opinion of Counsel, stating in the opinion of such counsel, either (A) all financing statements and continuation statements and amendments thereto have been executed and filed that are necessary to preserve and protect the interest of the Purchaser and the Trustee for the benefit of the Noteholders and the Note Purchaser in the Opinion Collateral and reciting the details of the filings or (B) no such action shall be necessary to preserve and protect such interest.

(b) Any Person (i) into which the Backup Servicer (in its capacity as Backup Servicer or successor Servicer) may be merged or consolidated, (ii) resulting from any merger or consolidation to which the Backup Servicer shall be a party, (iii) which acquires by conveyance, transfer or lease substantially all of the assets of the Backup Servicer, or (iv) succeeding to the business of the Backup Servicer, in any of the foregoing cases shall execute an agreement of assumption to perform every obligation of the Backup Servicer under this Agreement and, whether or not such assumption agreement is executed, shall be the successor to the Backup Servicer under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties to this Agreement, anything in this Agreement to the contrary notwithstanding; PROVIDED, HOWEVER, that nothing contained herein shall be deemed to release the Backup Servicer from any obligation.

SECTION 9.4. [RESERVED]

SECTION 9.5. DELEGATION OF DUTIES. The Servicer may at any time delegate duties under this Agreement to sub-contractors who are in the business of servicing automotive receivables with the prior written consent of the Note Purchaser (which consent shall not unreasonably be withheld); PROVIDED, HOWEVER, that no such delegation or subcontracting of duties by the Servicer shall relieve the Servicer of its responsibility with respect to such duties.

SECTION 9.6. SERVICER AND BACKUP SERVICER NOT TO RESIGN. Subject to the provisions of SECTION 9.3, neither the Servicer nor the Backup Servicer shall resign from the obligations and duties imposed on it by this Agreement as Servicer or Backup Servicer except (i) upon a determination that by reason of a change in legal requirements the performance of its duties under this Agreement would cause it to be in violation of such legal requirements in a manner which would have a material adverse effect on the Servicer or the Backup Servicer, as the case may be, and the Note Purchaser does not elect to waive the obligations of the Servicer or the Backup Servicer, as the case may be, to perform the duties which render it legally unable to act or to delegate those duties to another Person or, (ii) in the case of the Backup Servicer, upon the prior written consent of the Note Purchaser. Any such determination permitting the resignation of the Servicer or Backup Servicer pursuant to clause (i) in the immediately preceding sentence shall be evidenced by an Opinion of Counsel to such effect delivered and acceptable to the Trustee and the Note Purchaser. No resignation of the Servicer shall become effective until the Backup Servicer or an entity acceptable to the Note Purchaser shall have assumed the responsibilities and obligations of the Servicer. No resignation of the Backup Servicer shall become effective until an entity acceptable to the Note Purchaser shall have assumed the responsibilities and obligations of the Backup Servicer; provided, however, that in the event a successor Backup Servicer is not appointed within 60 days after the Backup Servicer has given notice of its resignation and has provided the Opinion of Counsel required by this SECTION 9.6, the Backup Servicer may petition a court for its removal.

ARTICLE X

DEFAULT

SECTION 10.1. SERVICER TERMINATION EVENTS. For purposes of this Agreement, each of the following shall constitute a "SERVICER TERMINATION EVENT":

(a) Any failure by the Servicer to deliver or cause to be delivered any proceeds or payment required to be so delivered under this Agreement or any other Basic Document within one (1) Business Day of the date when the same becomes due;

(b) Failure by the Servicer to deliver, or cause to be delivered, to the Noteholders, the Note Purchaser, the Trustee and the Backup Servicer, any Servicer's Certificate by the Determination Date prior to the related Settlement Date, which failure continues unremedied for a period of two (2) Business Days;

(c) Failure by the Servicer to perform or observe in any material respect any term, covenant, or agreement under this Agreement or any other Basic Document (other than any term, covenant or agreement referred to in another subparagraph of this SECTION 10.1), which failure materially and adversely affects the rights of the Note Purchaser or the Noteholders and is not cured within 30 calendar days after written notice is received by the Servicer from the Trustee, the Note Purchaser or a Noteholder or after discovery of such failure by a Responsible Officer of the Servicer;

(d) Any representation, warranty or statement of the Servicer made in this Agreement or any other Basic Document to which it is a party or any certificate, report or other writing delivered pursuant hereto or thereto shall prove to be incorrect in any material respect as of the time when the same shall have been made, and such incorrectness materially and adversely affects the rights of the Note Purchaser or the Noteholders and is not cured within 30 calendar days after written notice is received by the Servicer from the Trustee, the Note Purchaser or a Noteholder or after discovery of such failure by a Responsible Officer of the Servicer;

(e) An application is made by the Servicer for the appointment of a receiver, trustee or custodian for the Collateral or any other material assets of Purchaser or the Servicer; a petition under any section or chapter of the Bankruptcy Code or federal or State law or regulation shall be filed by the Servicer, or the Servicer shall make an assignment for the benefit of its creditors, or any case or proceeding shall be filed by the Servicer for its dissolution, liquidation, or termination; or the Servicer ceases to conduct its business;

(f) The Servicer 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 Servicer, or any case or proceeding is filed against the Servicer, 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;

(g) An Event of Default shall have occurred (so long as CPS is Servicer);

(h) The occurrence of any of the following trigger events: (i) the three-month rolling average Servicer Delinquency Ratio exceeds (A) 6.00% during the Accrual Periods from April to September or (B) 6.50% during the Accrual Periods from October to March; or (ii) the Servicer Loss Ratio exceeds (A) 7.50% during the Accrual Periods from May to October or (B) 8.25% during the Accrual Periods from November to April;

(i) The Servicer fails to maintain minimum Consolidated Total Adjusted Equity of $60,000,000 as of the end of any fiscal quarter;

(j) The Servicer exceeds a maximum leverage ratio (total liabilities less all non-recourse debt/Consolidated Total Adjusted Equity) of six times as of the end of any fiscal quarter; and

(k) The Servicer fails to maintain cash and cash equivalents of at least $8.5 million as of the end of any calendar month.

In the event that the Servicer, Purchaser or Trustee gains knowledge of the occurrence of a Servicer Termination Event, the Servicer, Purchaser or Trustee, as applicable, shall promptly notify the Note Purchaser and the Noteholders in writing of such occurrence; PROVIDED, THAT, the Servicer shall be deemed to satisfy such obligation upon its delivery of an Officer's Certificate in accordance with SECTION 4.10 hereof.

SECTION 10.2. CONSEQUENCES OF A SERVICER TERMINATION EVENT OR NON-EXTENSION OF TERM OF SERVICER. If a Servicer Termination Event shall occur and be continuing, the Majority Noteholders or the Note Purchaser by notice given in writing to the Backup Servicer and the Servicer may terminate all of the rights and obligations of the Servicer under this Agreement. The outgoing Servicer shall be entitled to its pro rata share of the Servicing Fee for the number of days in the Accrual Period prior to the effective date of its termination. On or after the receipt by the Servicer of such written notice or upon non-extension of the servicing term as referred to in SECTION 4.15, all authority, power, obligations and responsibilities of the Servicer under this Agreement, whether with respect to the Notes or the Receivables and Other Conveyed Property or otherwise, automatically shall pass to, be vested in and become obligations and responsibilities of the Backup Servicer (or such other successor Servicer appointed by the Majority Noteholders and the Note Purchaser under SECTION 10.3); PROVIDED, HOWEVER, that the successor Servicer shall have no liability with respect to any obligation which was required to be performed by the outgoing Servicer prior to the date that the successor Servicer becomes the Servicer or any claim of a third party based on any alleged action or inaction of the outgoing Servicer. The successor Servicer is authorized and empowered by this Agreement to execute and deliver, on behalf of the outgoing Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such notice of termination, whether to complete the transfer and endorsement of the Receivables and the Other Conveyed Property and related documents to show the Purchaser as lienholder or secured party on the related Lien Certificates, or otherwise. The outgoing Servicer agrees to cooperate with

the successor Servicer in effecting the termination of the responsibilities and rights of the outgoing Servicer under this Agreement, including, without limitation, the transfer to the successor Servicer for administration by it of all cash amounts that shall at the time be held by the outgoing Servicer for deposit, or have been deposited by the outgoing Servicer, in the Collection Account or thereafter received with respect to the Receivables and the delivery to the successor Servicer of all Receivable Files that shall at the time be held by the outgoing Servicer and a computer tape in readable form as of the most recent Business Day containing all information necessary to enable the successor Servicer to service the Receivables and the Other Conveyed Property. All reasonable costs and expenses (including reasonable attorneys' fees) incurred in connection with transferring any Receivable Files to the successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this SECTION 10.2 shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. In addition, any successor Servicer shall be entitled to payment from the immediate predecessor Servicer for reasonable transition expenses incurred in connection with acting as successor Servicer, and to the extent not so paid, such payment shall be made pursuant to SECTION 5.7 hereof. Upon receipt of notice of the occurrence of a Servicer Termination Event or the non-extension of the Servicer's term, the Trustee shall give notice thereof to the Noteholders and the Note Purchaser. If requested by the Majority Noteholders or the Note Purchaser, the successor Servicer shall terminate the Lockbox Agreement and direct the Obligors to make all payments under the Receivables directly to the successor Servicer (in which event the successor Servicer shall process such payments in accordance with SECTION 4.2(E)), or to a lockbox established by the successor Servicer at the direction of the Note Purchaser, at the successor Servicer's expense. The outgoing Servicer shall grant the Trustee, the successor Servicer, the Note Purchaser and the Noteholders reasonable access to the outgoing Servicer's premises at the outgoing Servicer's expense.

SECTION 10.3. APPOINTMENT OF SUCCESSOR.

(a) On and after the time the Servicer receives a notice of termination pursuant to SECTION 10.2, upon non-extension of the servicing term as referred to in SECTION 4.15, or upon the resignation of the Servicer pursuant to SECTION 9.6, the outgoing Servicer shall continue to perform its functions as Servicer under this Agreement, in the case of termination, only until the date specified in such termination notice or, if no such date is specified in a notice of termination, until receipt of such notice and, in the case of expiration and non-renewal of the term of the Servicer upon the expiration of such term, and, in the case of resignation, until (i) the later of (x) the date 45 days from the delivery to the Trustee of written notice of such resignation (or written confirmation of such notice) in accordance with the terms of this Agreement and (y) the date upon which the predecessor Servicer shall become unable to act as Servicer, as specified in the notice of resignation and accompanying Opinion of Counsel or (ii) such time as a successor Servicer shall assume all of the rights and obligations of the predecessor Servicer hereunder and under any other Basic Document; PROVIDED, HOWEVER, that the outgoing Servicer shall not be relieved of its duties, obligations and liabilities as Servicer until a successor Servicer has assumed such duties, obligations and liabilities. Notwithstanding the preceding sentence, if the Backup Servicer or any other successor Servicer shall not have assumed the duties, obligations and liabilities of the Servicer within 45 days of the termination, non-extension or resignation described in this SECTION 10.3, the outgoing Servicer may petition a court of competent jurisdiction to appoint any Eligible Servicer as the successor to the outgoing Servicer. Pending appointment as successor Servicer, the Backup Servicer (or such other Person as shall have been appointed by the Majority Noteholders or the Note Purchaser) shall act as successor Servicer unless it is legally unable to do so, in which event the outgoing Servicer shall continue to act as Servicer until a successor has been appointed and accepted such appointment. In the event of termination of the Servicer, Wells Fargo Bank, National Association, as the Backup Servicer shall assume the obligations of Servicer hereunder on the date (the "ASSUMPTION DATE") specified in the written notice delivered by the Trustee to the Backup Servicer and the Servicer pursuant to SECTION 10.2 or, in the event that the Majority Noteholders or the Note Purchaser shall have determined that a Person other than the Backup Servicer shall be the successor Servicer in accordance with SECTION 10.2, on the date of the execution of a written assumption agreement by such Person to serve as successor Servicer. Notwithstanding the Backup Servicer's assumption of, and its agreement to perform and observe, all duties, responsibilities and obligations of the Seller as Servicer, or any successor Servicer, under this Agreement arising on and after the Assumption Date, the Backup Servicer shall not be deemed to have assumed or to become liable for, or otherwise have any liability for any duties, responsibilities, obligations or liabilities of the Seller or any other Servicer arising on or before the Assumption Date, whether provided for by the terms of this Agreement, arising by operation of law or otherwise, including, without limitation, any liability for any duties, responsibilities, obligations or liabilities of the Seller or any other Servicer arising on or before the Assumption Date under SECTION 4.7 or 9.2 of this Agreement, regardless of when

the liability, duty, responsibility or obligation of the Seller or any other Servicer therefor arose, whether provided by the terms of this Agreement, arising by operation of law or otherwise. Notwithstanding the above, if the Backup Servicer shall be legally unable or unwilling to act as Servicer, the Backup Servicer, the Trustee, the Majority Noteholders or the Note Purchaser may petition a court of competent jurisdiction to appoint any Eligible Servicer as the successor to the outgoing Servicer. Pending appointment pursuant to the preceding sentence, the Backup Servicer shall act as successor Servicer unless it is legally unable to do so, in which event the outgoing Servicer shall continue to act as Servicer until a successor has been appointed and accepted such appointment. Subject to SECTION 9.6, no provision of this Agreement shall be construed as relieving the Backup Servicer of its obligation to succeed as successor Servicer upon the termination of the Servicer pursuant to SECTION 10.2, the non-extension of the Servicer's term pursuant to SECTION 4.15 or the resignation of the Servicer pursuant to SECTION 9.6. If upon the termination of the Servicer pursuant to SECTION 10.2, the non-extension of the Servicer's term pursuant to SECTION 4.15 or the resignation of the Servicer pursuant to SECTION 9.6, the Majority Noteholders and the Note Purchaser appoint a successor Servicer other than the Backup Servicer, the Backup Servicer shall not be relieved of its duties as Backup Servicer hereunder.

(b) Any successor Servicer shall be entitled to such compensation (whether payable out of the Collection Account or otherwise) as the outgoing Servicer would have been entitled to under this Agreement if the outgoing Servicer had not resigned or been terminated hereunder or had been renewed for an additional servicing term hereunder.

SECTION 10.4. NOTIFICATION TO THE NOTEHOLDERS AND NOTE PURCHASERS. Upon any termination of, or appointment of a successor to, the Servicer, the Trustee shall give prompt written notice thereof to the Noteholders and the Note Purchaser.

SECTION 10.5. WAIVER OF PAST DEFAUlTS. The Note Purchaser and the Majority Noteholders may waive in writing any default by the Servicer in the performance of its obligations under this Agreement and the consequences thereof. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Termination Event arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

SECTION 10.6. ACTION UPON CERTAIN FAILURES OF THE SERVICER. In the event that the Trustee shall have knowledge of any failure of the Servicer specified in SECTION 10.1 that would give rise to a right of termination under such Section upon the Servicer's failure to remedy the same after notice, the Trustee shall give notice thereof to the Servicer, the Note Purchaser and the Noteholders. For all purposes of this Agreement (including, without limitation, this SECTION 10.6), the Trustee shall not be deemed to have knowledge of any failure of the Servicer as specified in SECTIONS 10.1(C) through (H) unless notified thereof in writing by the Servicer, the Note Purchaser or a Noteholder. The Trustee shall be under no duty or obligation to investigate or inquire as to any potential failure of the Servicer specified in SECTION 10.1.

SECTION 10.7. CONTINUED ERRORS. Notwithstanding anything contained herein to the contrary, if the Backup Servicer becomes successor Servicer it is authorized to accept and rely on all of the accounting, records (including computer records) and work of the prior Servicer relating to the Receivables (collectively, the "PREDECESSOR SERVICER WORK PRODUCT") without any audit or other examination thereof, and the Backup Servicer as successor Servicer shall have no duty, responsibility, obligation or liability for the acts and omissions of the prior Servicer. If any error, inaccuracy, omission or incorrect or non-standard practice or procedure (collectively, "ERRORS") exist in any Predecessor Servicer Work Product and such Errors make it materially more difficult to service or should cause or materially contribute to the Backup Servicer as successor Servicer making or continuing any Errors (collectively, "CONTINUED ERRORS"), the Backup Servicer as successor Servicer shall have no duty or responsibility for such Continued Errors; PROVIDED, HOWEVER, that the Backup Servicer as successor Servicer agrees to use its best efforts to prevent further Continued Errors. In the event that the Backup Servicer as successor Servicer becomes aware of Errors or Continued Errors, the Backup Servicer as successor Servicer shall, with the prior consent of the Note Purchaser use its best efforts to reconstruct and reconcile such data as is commercially reasonable to correct such Errors and Continued Errors and to prevent future Continued Errors. The Backup Servicer as successor Servicer shall be entitled to recover its costs thereby expended in accordance with SECTIONS 5.7(A)(I) and 5.7(A)(VI) hereof.

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.1. AMENDMENT.

(a) This Agreement may not be waived, amended or otherwise modified except in a writing signed by the parties hereto, the Note Purchaser and the Majority Noteholders; PROVIDED, HOWEVER, that, no such amendment shall, without the prior written consent of the Note Purchaser and all of the Noteholders, (i) modify or have the effect of modifying Sections 5.7 or 5.8 or this SECTION 11.1 or (ii) eliminate or materially alter any party's delivery or notice obligations to the Noteholders; PROVIDED, FURTHER, that no increase in the Minimum Placement Fee in accordance with the definition thereof shall constitute a modification of SECTION 5.8.

(b) Prior to the execution of any amendment, waiver or consent to this Agreement the Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment, waiver or consent is authorized or permitted by this Agreement and the Opinion of Counsel referred to in SECTION 11.2(I)(I).

(c) The Trustee may, but shall not be obligated to, enter into any such amendment, waiver or consent which affects the Trustee's own rights, duties or immunities under this Agreement or otherwise.

(d) Upon the termination of CPS as Servicer and the appointment of the Backup Servicer as Servicer hereunder, all amendments to the terms of this Agreement specified in the Servicing Assumption Agreement shall become a part of this Agreement, as if this Agreement was amended to reflect such changes in accordance with this SECTION 11.1.

SECTION 11.2. PROTECTION OF TITLE TO PROPERTY.

(a) The Seller, the Purchaser or the Servicer or each of them shall authorize, execute (if necessary) and file such financing statements and cause to be authorized, executed (if necessary) and filed such continuation statements, all in such manner and in such places and take such other action as may be required by law fully to preserve, maintain and protect the interest of the Purchaser and the interests of the Trustee for the benefit of the Noteholders and the Note Purchaser in the Collateral and in the proceeds thereof. The Seller shall deliver (or cause to be delivered) to the Noteholders, the Note Purchaser and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing.

(b) None of the Seller, the Purchaser or the Servicer 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 in accordance with PARAGRAPH (A) above - seriously misleading within the meaning of Section 9-506(a) of the UCC, unless it shall have given the Noteholders, the Note Purchaser and the Trustee at least thirty (30) days' prior written notice thereof and shall have promptly filed appropriate amendments to all previously filed financing statements or continuation statements. Promptly upon such filing, the Purchaser, the Seller or the Servicer, as the case may be, shall deliver an Opinion of Counsel to the Trustee, the Note Purchaser and the Noteholders, in a form and substance reasonably satisfactory to the Note Purchaser, stating either (A) all financing statements and continuation statements have been authorized, executed and filed that are necessary fully to preserve and protect the interest of the Purchaser and the Trustee for the benefit of the Noteholders and the Note Purchaser in the Collateral, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (B) no such action shall be necessary to preserve and protect such interest.

(c) Each of the Seller, the Purchaser and the Servicer shall have an obligation to give the Noteholders, the Note Purchaser and the Trustee at least 60 days' prior written notice of any relocation of its chief executive office or a change in its corporate structure, jurisdiction of organization or name and shall file amendments, continuation statements and new financing statements if, as a result of such relocation or change, the applicable provisions of the UCC would require the filing of any amendment of any previously filed financing or continuation statement or of any new financing statement to fully preserve and protect the interest of the Purchaser and the Trustee on behalf of the Noteholders and the Note Purchaser in the Collateral. The Servicer shall at all times be organized under the laws of the United States (or any State thereof) and maintain its chief executive office and jurisdiction of organization, within the United States of America.

(d) The Servicer shall maintain accounts and records as to each Receivable accurately and in sufficient detail to permit (i) the reader thereof to know at any time the status of such Receivable, including payments and recoveries made and payments owing (and the nature of each) and (ii) reconciliation between payments or recoveries on (or with respect to) each Receivable and the amounts from time to time deposited in the Collection Account in respect of such Receivable.

(e) The Servicer shall maintain its computer systems so that, from and after the time of sale under this Agreement of the Receivables and the Other Conveyed Property to the Purchaser, the Servicer's master computer records (including any backup archives) that refer to a Receivable shall indicate clearly the interest of the Purchaser in such Receivable and that such Receivable is owned by the Purchaser and pledged to the Trustee. Indication of the Purchaser's and the Trustee's interest in a Receivable shall be deleted from or modified on the Servicer's computer systems when, and only when, the related Receivable shall have been paid in full or repurchased.

(f) If at any time the Seller or the Servicer shall propose to sell, grant a security interest in or otherwise transfer any interest in automotive receivables to any prospective purchaser, lender or other transferee, the Servicer shall give to such prospective purchaser, lender or other transferee computer tapes, records or printouts (including any restored from backup archives) that, if they shall refer in any manner whatsoever to any Receivable, shall indicate clearly that such Receivable has been sold and is owned by the Purchaser and pledged to the Trustee for the benefit of the Noteholders and the Note Purchaser.

(g) The Servicer shall permit the Trustee, the Backup Servicer, the Note Purchaser and the Noteholders and their respective agents upon reasonable notice and at any time during normal business hours to inspect, audit, and make copies of and abstracts from the Servicer's records regarding any Receivable.

(h) Upon request, the Servicer shall furnish to any Noteholder, the Note Purchaser or to the Trustee, within five Business Days, a list of all Receivables (by contract number and name of Obligor) then pledged to the Trustee, together with a reconciliation of such list to the Schedule of Receivables and to each of the Servicer's Certificates furnished before such request indicating removal of Receivables from the lien of the Indenture.

(i) The Servicer shall deliver to the Note Purchaser, the Noteholders and the Trustee:

(i) promptly after the execution and delivery of this Agreement and, if required pursuant to SECTION 11.1, of each amendment, waiver, or consent, an Opinion of Counsel, in form and substance satisfactory to the Note Purchaser and the Majority Noteholders, stating that in the opinion of such counsel, either (A) all financing statements and continuation statements have been authorized, executed and filed that are necessary fully to preserve and protect the interest of the Purchaser and the Trustee for the benefit of the Noteholders and the Note Purchaser in the Receivables and the Opinion Collateral, and reciting the details of such filings or referring to a prior Opinion of Counsel in which such details are given, or (B) no such action shall be necessary to preserve and protect such interest; and

(ii) within 90 days after the beginning of each calendar year beginning with the first calendar year beginning more than three months after the Closing Date, an Opinion of Counsel, dated as of a date during such 90-day period, stating that, the opinion of such counsel,

either (a) all financing statements and continuation statement have been authorized, executed and filed that are necessary fully to preserve and protect the interest of the Purchaser and the Trustee for the benefit of the Noteholders and the Note Purchaser in the Receivables and the Opinion Collateral, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (b) no such action shall be necessary to preserve and protect such interest.

Each Opinion of Counsel referred to in clause (i) or (ii) above shall specify any action necessary (as of the date of such opinion) to be taken in the following year to preserve and protect such interest.

Subject to SECTION 4.5, the Seller hereby authorizes the Note Purchaser, the Trustee and their respective agents to file such financing statements and continuation statements and take such other actions as the Note Purchaser or the Trustee may deem advisable in connection with the security interest granted by the Seller pursuant to SECTION 2.2 to the extent permitted by applicable law. Any such financing statements and continuation statements shall be prepared by the Issuer or the Note Purchaser.

SECTION 11.3. NOTICES. All demands, notices and communications upon or to the Seller, the Backup Servicer, the Servicer, the Purchaser, the Trustee, the Backup Servicer, the Note Purchaser or the Noteholders under this Agreement shall be in writing, via facsimile, personally delivered, or mailed by certified mail, return receipt requested, and shall be deemed to have been duly given upon receipt (a) in the case of the Seller, to Consumer Portfolio Services, Inc., 16355 Laguna Canyon Road, Irvine, CA 92618, Attention: Chief Financial Officer, Telecopy: (888) 577-7923; (b) in the case of the Servicer, to Consumer Portfolio Services, Inc., 16355 Laguna Canyon Road, Irvine, CA 92618, Attention: Chief Financial Officer, Telecopy: (888) 577-7923; (c) in the case of the Purchaser, to Page Three Funding LLC, 16355 Laguna Canyon Road, Irvine, CA 92618, Attention: Chief Financial Officer, Telecopy: (888) 577-7923; (d) in the case of the Trustee or the Backup Servicer at the Corporate Trust Office; and (e) in the case of the initial Noteholder and the Note Purchaser, to Bear, Stearns & Co. Inc., as agent for Bear, Stearns International Limited, 383 Madison Ave., 10th Floor, New York, New York, 10179; Attn: Clark MacKenzie; Telephone: 212-272-4076, Telecopy: 917-849-1151; with a copy to Bear, Stearns & Co. Inc., as agent for Bear, Stearns International Limited, 383 Madison Ave., 10th Floor, New York, New York, 10179; Attn: Michael Solender; Telephone: 212-272-7850, Telecopy: 917-849-1072; and (e) in the case of any subsequent Noteholders, at the address reflected on the Note Register. The Note Purchaser may deliver to the Noteholders any notices, reports, Servicer's Certificates or any other documentation delivered to the Note Purchaser hereunder or under any other Basic Document, but is under no obligation to so deliver such documentation and shall not be liable for the content thereof. Any notice so mailed within the time prescribed in this Agreement shall be conclusively presumed to have been duly given, whether or not the Noteholders or Note Purchaser shall receive such notice.

SECTION 11.4. ASSIGNMENT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Notwithstanding anything to the contrary contained herein, except as provided in SECTIONS 8.4, 9.3 and this SECTION 11.4 and as provided in the provisions of this Agreement concerning the resignation of the Servicer, this Agreement may not be assigned by the Purchaser, the Seller or the Servicer without the prior written consent of the Trustee, the Backup Servicer, the Note Purchaser and the Majority Noteholders; PROVIDED THAT the Purchaser will grant all of its right, title and interest herein to the Trustee for the benefit of the Noteholders and the Note Purchaser.

SECTION 11.5. LIMITATIONS ON RIGHTS OF OTHERS. The provisions of this Agreement are solely for the benefit of the parties hereto and for the benefit of the Note Purchaser, as a third-party beneficiary. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Collateral or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

SECTION 11.6. SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 11.7. SEPARATE COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Any signature page to this Agreement 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 11.8. HEADINGS. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 11.9. GOVERNING LAW. THIS AGREEMENT 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 11.10. ASSIGNMENT TO TRUSTEE. The Seller hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Purchaser to the Trustee pursuant to the Indenture for the benefit of the Noteholders and the Note Purchaser of all right, title and interest of the Purchaser in, to and under the Receivables and Other Conveyed Property and/or the assignment of any or all of the Purchaser's rights and obligations hereunder to the Trustee for the benefit of the Noteholders and the Note Purchaser.

SECTION 11.11. NONPETITION COVENANTS. Notwithstanding any prior termination of this Agreement, the Servicer and the Seller shall not, prior to the date which 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 Secured Obligations have been paid in full, acquiesce, petition or otherwise invoke or cause the Purchaser to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Purchaser 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 or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Purchaser.

SECTION 11.12. LIMITATION OF LIABILITY OF TRUSTEE. Notwithstanding anything contained herein to the contrary, this Agreement has been executed and delivered by Wells Fargo Bank, National Association, not in its individual capacity but solely as Trustee and Backup Servicer and in no event shall Wells Fargo Bank, National Association, have any liability for the representations, warranties, covenants, agreements or other obligations of the Purchaser hereunder or in any of the certificates, notices or agreements delivered pursuant hereto, as to all of which recourse shall be had solely to the assets of the Purchaser.

SECTION 11.13. INDEPENDENCE OF THE SERVICER. For all purposes of this Agreement, the Servicer shall be an independent contractor and shall not be subject to the supervision of the Purchaser, the Trustee and Backup Servicer with respect to the manner in which it accomplishes the performance of its obligations hereunder. Unless expressly authorized by this Agreement, the Servicer shall have no authority to act for or represent the Purchaser in any way and shall not otherwise be deemed an agent of the Purchaser.

SECTION 11.14. NO JOINT VENTURE. Nothing contained in this Agreement (i) shall constitute the Servicer and the Purchaser as members of any partnership, joint venture, association, syndicate, unincorporated business or other separate entity, (ii) shall be construed to impose any liability as such on any of them or (iii) shall be deemed to confer on any of them any express, implied or apparent authority to incur any obligation or liability on behalf of the others.

SECTION 11.15. SPECIAL SUPPLEMENTAL AGREEMENT. If any party to this Agreement is unable to sign any amendment or supplement due to its dissolution, winding up or comparable circumstances, then the consent of the Majority Noteholders and the Note Purchaser shall be sufficient to amend this Agreement without such party's signature.

SECTION 11.16. FULL RECOURSE TO THE ISSUER AND THE PURCHASER. The obligations of the Issuer and the Purchaser under this Agreement and the other Basic Documents to which it is a party shall be full recourse obligations of the Issuer and the Purchaser. Notwithstanding the foregoing, no recourse shall be had for the payment of any amount owing hereunder or for the payment of any fee hereunder or any other obligation of, or claim against, the Issuer or the Purchaser arising out of or based upon any provision herein or under any other Basic Document, against any member, employee, officer, agent, director or authorized person of the Issuer or the Purchaser or any Affiliate thereof except as the Issuer or the Purchaser may have expressly agreed 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; PROVIDED, HOWEVER, that the foregoing shall not relieve any such person or entity of any liability they might otherwise have as a result of fraudulent actions or omissions taken by them. Nothing contained in this Section shall limit or be deemed to limit any obligations of the Issuer, the Purchaser, the Seller or the Servicer hereunder or under any other Basic Document, which obligations are full recourse obligations of the Issuer, the Purchaser, the Seller and the Servicer, respectively.

SECTION 11.17. ACKNOWLEDGEMENT OF ROLES. The parties expressly acknowledge and consent to Wells Fargo Bank, National Association acting in the multiple capacities of Backup Servicer and Trustee. The parties agree that Wells Fargo Bank, National Association in such multiple capacities shall not be subject to any claim, defense or liability arising from its performance in any such capacity based on conflict of interest principles, duty of loyalty principles or other breach of fiduciary duties to the extent that any such conflict or breach arises from the performance by Wells Fargo Bank, National Association of any other such capacity or capacities in accordance with this Agreement or any other Basic Documents to which it is a party.

SECTION 11.18. TERMINATION. Except as otherwise provided herein, the respective obligations and responsibilities of the Seller, the Purchaser, the Servicer, the Backup Servicer and the Trustee created hereby shall terminate on the Termination Date; PROVIDED, HOWEVER, in any case there shall be delivered to the Trustee, the Note Purchaser and the Noteholders an Opinion of Counsel that all applicable preference periods under federal, State and local bankruptcy, insolvency and similar laws have expired with respect to the payments pursuant to this SECTION 11.18. The Servicer shall promptly notify the Trustee, the Seller, the Issuer, the Note Purchaser and the Noteholders of any prospective termination pursuant to this SECTION 11.18.

SECTION 11.19. SUBMISSION TO JURISDICTION. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, OR ANY LEGAL PROCESS WITH RESPECT TO ITSELF OR ANY OF ITS PROPERTY, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

SECTION 11.20. WAIVER OF TRIAL BY JURY. THE PARTIES HERETO EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY PARTY AGAINST THE OTHER PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THE PARTIES HERETO EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

SECTION 11.21. PROCESS AGENT. Each of the Purchaser, Seller, Servicer and Trustee agrees that the process by which any proceedings in the State of New York are begun may be served on it by being delivered by certified mail at the chief executive office or corporate trust office, as applicable, or at its registered office for the time being. If such person is not or ceases to be effectively appointed to accept service of process on the Purchaser's, Seller's, Servicer's or Trustee's behalf, the Purchaser, Seller, Servicer or Trustee, as applicable, shall, on the written demand of the process agent, appoint a further person in the State of New York to accept service of process on its behalf and, failing such appointment within 15 days, the process agent shall be entitled to appoint such a person by written notice to the Purchaser, Seller, Servicer or Trustee, as applicable. Nothing in this sub-clause shall affect the right of the process agent to serve process in any other manner permitted by law.

SECTION 11.22. SET-OFF(a) Each of the Seller, the Purchaser, the Issuer and the Servicer agrees that it shall have no right of set-off or banker's lien against, and no right to otherwise deduct from, any funds held in any account described herein or in the Basic Documents for any amount owed to it by the Note Purchaser or any Noteholder.

(b) 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 hereunder:

(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 or 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; and

(ii) the Note Purchaser is hereby authorized at any time and from time to time, without notice to the Seller or the Servicer, such notice being hereby expressly waived, to set-off any obligation owing by the Note Purchaser or any of its Affiliates to the Seller or the Servicer, or against any funds or other property of the Seller or the Servicer held by or otherwise in the possession of the Note Purchaser or any of its Affiliates, the respective obligations of the Seller or the Servicer 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.

SECTION 11.23. NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise hereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

SECTION 11.24. MERGER AND INTEGRATION. Except as specifically stated otherwise herein, this Agreement and the other Basic Documents sets forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agreement and the other Basic Documents. This Agreement may not be modified, amended, waived or supplemented except as provided herein.

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

PAGE THREE FUNDING LLC, as Purchaser and Issuer

By:

Name:
Title:

CONSUMER PORTFOLIO SERVICES, INC., as
Seller and Servicer

By:

Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Backup Servicer and Trustee

By:

Name:
Title:

"ACCOUNT CONTROL AGREEMENT" means that Deposit Account Control Agreement dated as of November 15, 2005, by and among CPS, the Note Purchaser and Wells Fargo Bank, National Association, as such agreement may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"ACCOUNTING DATE" means, with respect to any Determination Date, the close of business on the day immediately preceding such Determination Date.

"ACCOUNTANTS' REPORT" means the report of a firm of nationally recognized independent accountants described in SECTION 4.11 of the Sale and Servicing Agreement.

"ACCRUAL PERIOD" means a calendar month; provided that the initial Accrual Period shall be the period from and including the day after the initial Cutoff Date to and including December 14, 2005.

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

"ADDITION NOTICE" means, with respect to any transfer of Receivables to the Purchaser pursuant to SECTION 2.1 of the Sale and Servicing Agreement, notice of the Seller's election to transfer Receivables to the Purchaser, such notice to designate the related Funding Date and the aggregate principal amount of Receivables to be transferred on such Funding Date, substantially in the form of EXHIBIT G to the Sale and Servicing Agreement.

"ADVANCE" has the meaning set forth in paragraph 4 of the recitals to the Note Purchase Agreement.

"ADVANCE AMOUNT" means an amount not less than $2,000,000 and not more than the lesser of (i) the excess of the Maximum Invested Amount over the Invested Amount as of such Funding Date and (ii) the excess of the Borrowing Base over the Invested Amount as of such Funding Date.

"ADVANCE REQUEST" has the meaning set forth in Section 2.03(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.

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

"ANNUAL PERCENTAGE RATE" or "APR" of a Receivable means the annual percentage rate of finance charges or service charges, as stated in the related Contract.

"APPLICABLE MARGIN" means 2.00%; provided that on any day on which an Event of Default shall exist, the Applicable Margin shall be the Default Applicable Margin.

"ASSIGNMENT" means an assignment from the Seller to the Purchaser with respect to the Receivables and Other Conveyed Property to be conveyed by the Seller to the Purchaser on any Funding Date, in substantially the form of EXHIBIT F to the Sale and Servicing Agreement.

"ASSUMPTION DATE" has the meaning set forth in SECTION 10.3(A) of the Sale and Servicing Agreement.

"AUTHORIZED OFFICER" means, with respect to the Servicer or the Issuer, any officer or agent acting pursuant to a power of attorney of the Servicer or the Issuer, as the case may be, who is authorized to act therefor and who is identified on the list of Authorized Officers delivered by such Person to the Trustee and the Note Purchaser on the Closing Date (as such list may be modified or supplemented from time to time thereafter).

"AVAILABLE FUNDS" means, for each Settlement Date, the sum of the following amounts with respect to the preceding Accrual Period, without duplication: (i) all collections on the Receivables; (ii) all Net Liquidation Proceeds received during the Accrual Period with respect to Liquidated Receivables; (iii) the Purchase Amount of each Receivable repurchased by the Seller or the Purchaser during such Accrual Period; (iv) Investment Earnings for the related Settlement Date; (v) all amounts received pursuant to Receivable Insurance Policies with respect to any Financed Vehicles; and (vi) cash received from a Margin Call.

"BACKUP SERVICER" means Wells Fargo Bank, National Association in its capacity as Backup Servicer pursuant to the terms of the Servicing Assumption Agreement or such Person as shall have been appointed Backup Servicer pursuant to Section 9.3(b) or 9.6 of the Sale and Servicing Agreement.

"BACKUP SERVICING FEE" means (A) the fee payable to the Backup Servicer so long as the Seller or any successor Servicer (other than the Backup Servicer) is the Servicer, on each Settlement Date in the amount equal to $1,800 per monthly data transmission received by the Backup Servicer pursuant to Section 4.14 of the Sale and Servicing Agreement and (B) any other amounts payable to the Backup Servicer pursuant to the Fee Schedule.

"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 Notes, the Indenture, the Sale and Servicing Agreement, the Lockbox Agreement, the Note Purchase Agreement, the LLC Agreement, each Assignment, the Pledge Agreement, the Servicing Assumption Agreement, the Consent and Agreement, the Servicer Termination Side Letter, the Account Control Agreement and other documents and certificates delivered in connection therewith.

"BORROWING BASE" means, on any date of determination, the lesser of (a) an amount equal to the product of (i) the aggregate Principal Balance (as of such date of determination) of all Eligible Receivables less the Excess Concentration Amount and (ii) 80.0%, and (b) an amount equal to the product of (A) 85.0% and (B) the Market Value.

"BORROWING BASE CERTIFICATE" means, with respect to any transfer of Receivables, the certificate of the Servicer setting forth the calculation of the Borrowing Base, substantially in the form of EXHIBIT A to the Note Purchase Agreement.

"BORROWING BASE DEFICIENCY" means, as of any date of determination, the positive excess, if any, of the Invested Amount over the Borrowing Base, after application of funds, if any, by the Trustee in reduction of the Invested Amount as contemplated by Section 3.05 of the Note Purchase Agreement.

"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 for trading by and between banks in the London interbank eurodollar market.

"CASUALTY" means, with respect to a Financed Vehicle, the total loss or destruction of such Financed Vehicle.

"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.

"CLEARING AGENCY" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act, or any successor provision thereto. The initial Clearing Agency shall be The Depository Trust Company.

"CLOSING DATE" means November 15, 2005.

"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.

"COLLECTION ACCOUNT" means the account designated as such, established and maintained pursuant to SECTION 5.1 of the Sale and Servicing Agreement.

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

"COMMITMENT" means the obligation of the Note Purchaser to make Advances to the Issuer pursuant to the terms and subject to the conditions of the Note Purchase Agreement and the other Basic Documents.

"COMMITMENT FEE" means, with respect to any Settlement Date, for so long as no Funding Termination Event shall have occurred and be continuing, a fee in an amount equal to the product of (a) one-twelfth, (b) twenty-five basis point (0.25%) and (c) the excess, if any, of (i) the Maximum Invested Amount over (ii) the daily average of the Invested Amount over the immediately preceding Accrual Period set forth in the related Servicer's Certificate as and to the extent verified by the Note Purchaser.

"CONCENTRATION LIMITS" means with respect to Eligible Receivables:

(i) Eligible Receivables that are Section 341 Receivables shall not at any time represent more than 3% of the aggregate Principal Balance of Eligible Receivables;

(ii) Eligible Receivables the Obligors of which are contractually delinquent with respect to more than 10% of a Scheduled Receivable Payment by more than 30 days, but less than 46 days, shall not at any time represent more than 4% of the aggregate Principal Balance of Eligible Receivables;

(iii) Eligible Receivables originated under Seller's "First Time Buyer Program" and "Mercury/Delta Program" shall not at any time represent more than 15% of the aggregate Principal Balance of Eligible Receivables;

(iv) Seasoned Receivables shall not represent more than $3,000,000 in aggregate Principal Balance of the Eligible Receivables;

(v) Unless an Opinion of Counsel, in form and substance satisfactory to the Note Purchaser, has been delivered to the Trustee and the Note Purchaser addressing (i) the form of Contract used by Seller in such State and (ii) the security interest of the Trustee in the Financed Vehicles titled in such State in the absence of any retitling of such Financed Vehicles, Eligible Receivables originated in any one State shall not in the aggregate at any time represent more than 10% of the aggregate Principal Balance of Eligible Receivables;

"CONSENT AND AGREEMENT" means that Consent and Agreement dated as of November 15, 2005, made by the Issuer, as such consent and agreement may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof,

"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 usury laws, the Federal Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Federal Trade Commission Act, the Magnuson-Moss Warranty Act, the Federal Reserve Board's Regulations B and Z, the Servicemembers Civil Relief Act, the California Military Reservist Relief Act, the Texas Consumer Credit Code, the California Automobile Sales Finance Act, State adaptations of the National Consumer Act and of the Uniform Consumer Credit Code and all other federal, State and local consumer credit laws and equal credit opportunity and disclosure laws and regulations thereunder.

"CONTRACT" means a motor vehicle retail installment sale contract or installment promissory note or security agreement relating to the sale or refinancing of new or used automobiles, light duty trucks, vans or minivans, and other writings related thereto from time to time.

"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, or at such other address as the Trustee may designate from time to time by notice to the Note Purchaser, the Servicer, 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.

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

"CUTOFF DATE" means, with respect to a Receivable or Receivables, the date specified as such for such Receivable or Receivables in the Schedule of Receivables attached to the Sale and Servicing Agreement or to the applicable Assignment.

"DATA TAPE FIELDS" has the meaning given such term in Section 2.1(b)(i) of the Sale and Servicing Agreement.

"DEALER" means, with respect to a Receivable, the seller of the related Financed Vehicle, who originated and assigned such Receivable to the Seller, which Dealer shall not be an Affiliate of the Seller (including, without limitation, MFN Financial Corporation and TFC Enterprises, Inc.).

"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 4.00%.

"DEFECTIVE RECEIVABLE" means a Receivable that is subject to repurchase pursuant to SECTION 3.2 or SECTION 4.7 of the Sale and Servicing Agreement.

"DEFINITIVE NOTE" has the meaning specified in SECTION 2.5(C) to the Indenture.

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

(i) the perfection and priority of a security interest in such Pledged 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 Servicing Agreement.

"DEPOSIT ACCOUNT" means that deposit account established pursuant to the Account Control Agreement.

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

"DOLLAR" means lawful money of the United States.

"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 Note Purchaser.

"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) 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 Note Purchaser.

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

"ELIGIBLE RECEIVABLES" means, as of any date of determination, Receivables (a) that have been originated or acquired by the Seller in accordance with the Seller's Contract Purchase Guidelines; (b) that are secured by a first-priority perfected security interest in the related Financed Vehicle; (c) as to which the representations and warranties set forth in Section 3.1 of the Sale and Servicing Agreement are true and correct; (d) that are not more than 45 days past due with respect to more than 10% of the Scheduled Receivable Payment as of such date of determination; (e) as to which the related Obligor has not been the subject of a bankruptcy proceeding since the origination of the Receivable (other than any Obligor the related Receivable of which is a Section 341 Receivable); (f) as to which the Servicer has not repossessed the related Financed Vehicle or charged-off the related Contract; (g) that have not been owned by the Purchaser and pledged to the Trustee for the benefit of the Noteholders and Note Purchaser for more than 180 days; and (h) that have not been otherwise rejected by the Note Purchaser, in its sole discretion, as a result of deficiencies with respect to such Receivable discovered during the Note Purchaser's due diligence review, prior to the related Funding thereof.

"ELIGIBLE SERVICER" means a Person approved to act as "SERVICER" under the Sale and Servicing Agreement by the Note Purchaser.

"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.

"EXCESS CONCENTRATION AMOUNT" means the aggregate amount by which (without duplication) the aggregate Principal Balance of Eligible Receivables sold to the Purchaser under the Sale and Servicing Agreement exceeds any of the Concentration Limits; provided, however, that in determining which Receivables to exclude for purposes of complying with any Concentration Limit, the Purchaser shall exclude Receivables starting with those having the most oldest origination dates.

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

"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.

"FACILITY TERMINATION DATE" means the earlier of (a) the Scheduled Maturity Date or (b) the date of the occurrence of an Event of Default.

"FDIC" means the Federal Deposit Insurance Corporation.
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"FEE SCHEDULE" means that certain notice captioned "Schedule of Fees for CPS - Bear Stearns Warehouse" from Wells Fargo Bank, National Association, as acknowledged by the Servicer as of November 15, 2005.

"FINANCED VEHICLE" means a new or used automobile, light truck, van or minivan, together with all accessions thereto, securing an Obligor's indebtedness under a Receivable.

"FUNDING DATE" means the Business Day on which an Advance occurs.

"FUNDING TERMINATION EVENT" means the occurrence and continuance of any one of the following events, unless waived in writing by the Note Purchaser in its sole discretion: (i) an Event of Default; (ii) CPS is terminated as servicer under any other warehouse financing facility or term securitization transaction (other than any warehouse financing facility or term securitization transaction as to which the receivables related thereto were originated exclusively by SeaWest, TFC or MFN); (iii) failure by the Issuer or the Servicer to accept a proposed assignee in accordance with Section 8.03(c)(iii) of the Note Purchase Agreement or (iv) Charles Bradley, Jr. shall not hold the position of President of CPS.

"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 state, local or other political subdivision thereof and any entity 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 or the Pledge Agreement, as applicable. A Grant of the Collateral or Pledged Collateral, as the case may be, 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 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 or Pledged Collateral, as the case may be, 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.

"HOLDERS" or "NOTEHOLDERS" means the Persons in whose name the Notes are registered on the Note Register, which shall initially be Bear, Stearns International Limited or an Affiliate thereof.

"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 Indenture dated as of November 15, 2005, between the Issuer and Wells Fargo Bank, National Association, as Trustee, as the same may be 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, the Seller, the Purchaser, the Servicer 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, the Seller, the Purchaser, the Servicer or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, the Seller, the Purchaser, the Servicer or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions.

"INELIGIBLE RECEIVABLE" means any Receivable other than an Eligible Receivable.

"INITIAL ADVANCE" means the first Advance that is funded on or after the Closing Date.

"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, with respect to the Notes and any Settlement Date, the period from, and including, the immediately preceding Settlement Date (or from and including the Closing Date, in the case of the first Settlement Date) to, but excluding, such Settlement Date.

"INVESTED AMOUNT" means, with respect to any date of determination, the aggregate principal amount (including all Advance Amounts as of such date) of the Notes at such date of determination.

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

"INVESTMENT EARNINGS" means, with respect to any Settlement Date and any Pledged Account, the investment earnings on Pledged Account Property and deposited into such Pledged Account during the related Accrual Period pursuant to SECTION 5.1(D) of the Sale and Servicing Agreement.

"ISSUER" means Page Three Funding 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 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, with respect to any Interest Period, the rate for one-month deposits in U.S. dollars determined on the related LIBOR Determination Date by the Note Purchaser by reference to the London Inter-Bank Offered Rate, as such rate appears as "BBBAM - Page DE8 4a" on Bloomberg (or such other publicly-available service or services publishing such rates selected by Note Purchaser in its reasonable discretion and communicated to the Issuer) at or about 11 a.m. New York City time; PROVIDED FURTHER, that if no rate appears on Bloomberg, 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 the related LIBOR Determination Date 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 $150,000,000 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 LIBOR Determination Date, one-month deposits in United States dollars to leading European banks and in a principal amount of not less than $150,000,000 that is representative for a single transaction in such market at such time.

"LIBOR BUSINESS DAY" means any day on which banks in London, England and The City of New York are open and conducting transactions in foreign currency and exchange.

"LIBOR DETERMINATION DATE" means, with respect to any Interest Period, the second LIBOR Business Day immediately preceding the first day of such Interest Period.

"LIEN" means a security interest, lien, charge, pledge, equity, or encumbrance of any kind, other than tax liens, mechanics' liens and any liens that attach to the respective Receivable by operation of law as a result of an Obligor's failure to pay an obligation.

"LIEN CERTIFICATE" means, with respect to a Financed Vehicle, an original certificate of title, certificate of lien or other notification issued by the Registrar of Titles of the applicable state to a secured party which indicates that the lien of the secured party on the Financed Vehicle is recorded on the original certificate of title. In any jurisdiction in which the original certificate of title is required to be given to the obligor, the term "LIEN CERTIFICATE" shall mean only a certificate or notification issued to a secured party.

"LIQUIDATED RECEIVABLE" means any Receivable (i) which has been liquidated by the Servicer through the sale of the Financed Vehicle or (ii) for which the related Financed Vehicle has been repossessed and 90 days have elapsed since the date of such repossession or (iii) as to which an Obligor has failed to make more than 90% of a Scheduled Receivable Payment of more than ten dollars for 120 (or, if the related Financed Vehicle has been repossessed, 210) or more days as of the end of a Accrual Period or (iv) with respect to which proceeds have been received which, in the Servicer's judgment, constitute the final amounts recoverable in respect of such Receivable. For purposes of this definition, a Receivable shall be deemed a "Liquidated Receivable" upon the first to occur of the events specified in items (i) through (iv) of the previous sentence.

"LLC AGREEMENT" means the Limited Liability Company Agreement of Page Three Funding, LLC dated as of October 27, 2005, entered into by CPS, as such agreement may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"LOCKBOX ACCOUNT" means an account established and maintained in the name of the Issuer for the benefit of Trustee for the further benefit of the Noteholders and the Note Purchaser by the Lockbox Bank pursuant to SECTION 4.2(B) of the Sale and Servicing Agreement.

"LOCKBOX AGREEMENT" means the Multiparty Agreement Relating to Lockbox Services, dated as of November 15, 2005, by and among the Lockbox Processor, the Purchaser, the Servicer and the Trustee, as such agreement may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, unless the Trustee shall cease to be a party thereunder, or such agreement shall be terminated in accordance with its terms, in which event "LOCKBOX AGREEMENT" shall mean such other agreement, in form and substance acceptable to the Note Purchaser, among the Servicer, the Purchaser, and the Lockbox Processor and any other appropriate parties.

"LOCKBOX BANK" means as of any date a depository institution named by the Servicer and acceptable to the Majority Noteholders and the Note Purchaser at which the Lockbox Account is established and maintained as of such date.

"LOCKBOX PROCESSOR" means Wells Fargo Bank, National Association and its successors and assigns.

"MAJORITY NOTEHOLDERS" means Holders of Notes that in the aggregate constitute more than 50% of the Percentage Interests.

"MARGIN CALL" has the meaning given to such term in Section 3.05 of the Note Purchase

Agreement.

"MARKET VALUE" means, on any Business Day, the value of the Receivables as determined by the daily-run structured arb report as calculated by the Note Purchaser in its sole discretion.

"MATERIAL ADVERSE CHANGE" means (a) in respect of any Person, a material adverse change in (i) the business, financial condition, results of operations, prospects or properties of such Person, or (ii) the ability of such Person to perform its obligations under any of the Basic Documents to which it is a party, in each case in a manner that materially and adversely affects the Noteholders, the Note Purchaser or the value, collectibility or marketability of the Notes, (b) in respect of any Receivable, a material adverse change in (i) the value or marketability of such Receivable, or (ii) the probability that amounts now or hereafter due in respect of such Receivable will be collected on a timely basis, in each case in a manner that materially and adversely affects the Noteholders, the Note Purchaser or the value, collectibility or marketability of the Notes, or the ability of the Trustee on behalf of the Noteholders and the Note Purchaser to realize the benefits of the security afforded under the Basic Documents.

"MATERIAL ADVERSE EFFECT" means an effect on (a) the value or marketability of the Receivables or any of the other Collateral (including, without limitation, the enforceability or collectibility of the Receivables); (b) the business, operations, properties, condition (financial or otherwise) or prospects of the Seller, the Servicer, the Purchaser or the Issuer, in each case, individually or taken as a whole; (c) the validity or enforceability of this or any of the other Basic Documents or the rights or remedies of the Trustee, the Note Purchaser or the Noteholders hereunder or thereunder or the

validity, perfection or priority of any Lien in favor of the Trustee, the Note Purchaser or the Noteholders granted thereunder; (d) the timely payment of the principal of or interest on any Advances or other amounts payable under the Basic Documents; or (e) the ability of the Seller, the Servicer, the Purchaser or the Issuer to perform its obligations under any Basic Document to which it is a party, in each case that materially and adversely affects the Noteholders, the Note Purchaser or the value, collectability or marketability of the Notes.

"MAXIMUM INVESTED AMOUNT" means $150,000,000.

"MFN" means MFN Financial Corporation, a Delaware corporation.

"MINIMUM PLACEMENT FEE" means, for the Term, the product of (i) 0.40% and (ii) $300,000,000 (representing the minimum amount of investment grade notes to be placed by the Note Purchaser or any of its Affiliates on behalf of CPS and its Affiliates prior to the Minimum Placement Fee Payment Date), as such amount may reduced by amounts paid in respect of the Minimum Placement Fee pursuant to Section 3.01(d) of the Note Purchase Agreement, Section 5.8(a)(v) of the Sale and Servicing Agreement and Section 10.1 of the Indenture.

"MINIMUM PLACEMENT FEE PAYMENT DATE" means the earliest to occur of (a) the closing date for the second securitization of Eligible Receivables contemplated by Section 3.01(d) of the Note Purchase Agreement, (b) the date which occurs 15 calendar days immediately prior to the Scheduled Maturity Date and (c) the Facility Termination Date.

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

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

"NET ACQUISITION FEE" means, for any Receivable, (a) the sum of (i) PLAUSA3 and (ii) PLASFE less (b) PLTDIF, in each case, as reflected in the Data Tape Fields delivered prior to each Funding Date pursuant to Section 2.1(b)(i) of the Sale and Servicing Agreement, which amount shall represent the difference between the original Principal Balance of the related Receivable and the amount paid by the Seller to the Dealer for such Receivable (without giving effect to the Seller netting from such amount the first payment due with respect to such Receivable).

"NET LIQUIDATION PROCEEDS" means, with respect to a Liquidated Receivable, all amounts realized with respect to such Receivable net of (i) reasonable expenses incurred by the Servicer in connection with the collection of such Receivable and the repossession and disposition of the Financed Vehicle and the reasonable cost of legal counsel with the enforcement of a Liquidated Receivable and (ii) amounts that are required to be refunded to the Obligor on such Receivable; PROVIDED, HOWEVER, that the Net Liquidation Proceeds with respect to any Receivable shall in no event be less than zero.

"NOTES" means the Floating Rate Variable Funding Notes, each substantially in the form of the Note set forth in EXHIBIT A-1 to the Indenture.

"NOTE DISTRIBUTION ACCOUNT" means the account designated as such, established and maintained pursuant to SECTION 5.1(B) of the Sale and Servicing Agreement.

"NOTE INTEREST RATE" means for any day during any Interest Period the sum of (i) LIBOR calculated as of the related LIBOR Determination Date and (ii) the Applicable Margin for such day; PROVIDED, HOWEVER, that the Note Interest Rate will in no event be higher than the maximum rate permitted by law.

"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 and the Note Distribution Account, including payment of principal of or interest on the Note on behalf of the Issuer.

"NOTE PURCHASE AGREEMENT" means the Note Purchase Agreement dated as of November 15, 2005 among Bear, Stearns International Limited, the Issuer, the Purchaser, the Seller and the Servicer, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"NOTE PURCHASER" means Bear, Stearns International Limited and its successors and permitted assigns.

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

"NOTEHOLDERS' INTEREST CARRYOVER SHORTFALL" means, with respect to any Settlement Date, the excess of the 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 Noteholders' Interest Distributable Amount.

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

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

"NOTEHOLDERS' PRINCIPAL DISTRIBUTABLE AMOUNT" means, with respect to any Settlement Date (A) prior to the Facility Termination Date, the Borrowing Base Deficiency, if any, and (B) upon and after the Facility Termination Date, the aggregate outstanding principal amount of the Note.

"OBLIGOR" on a Receivable means the purchaser or co-purchasers of the Financed Vehicle and any other Person who owes payments under the Receivable.

"OFFICER'S CERTIFICATE" means a certificate signed by the chairman of the board, the president, any vice chairman of the board, any vice president, the treasurer, the controller or assistant treasurer or any assistant controller, secretary or assistant secretary of the Seller, the Purchaser or the Servicer, as appropriate.

"OPINION COLLATERAL" has the meaning set forth in Section 3.6(a) of the Indenture.

"OPINION OF COUNSEL" means a written opinion of counsel who may be but need not be counsel to the Purchaser, the Seller or the Servicer, 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.

"OTHER CONVEYED PROPERTY" means all property conveyed by the Seller to the Purchaser pursuant to SECTIONS 2.1 (A)(II) through (XI) of the Sale and Servicing Agreement and Section 2 of each Assignment.

"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, with respect to any Note, the percentage interest as specified on the face of such Note, which when multiplied by the Invested Amount outstanding on any date of determination shall equal the principal amount outstanding on such Note as of such date.

"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 assigned 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.

"PLEDGE AGREEMENT" means the Pledge and Security Agreement dated as of November 15, 2005, among CPS and the Note Purchaser, as such agreement may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

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

"PLEDGED ACCOUNTS" has the meaning assigned thereto in SECTION 5.1(C) of the Sale and Servicing Agreement.

"PLEDGED COLLATERAL" has the meaning assigned thereto in the Pledge Agreement.

"POST-OFFICE BOX" means the separate post-office box established and maintained by the Servicer in the name of the Purchaser for the benefit of the Trustee for the further benefit of the Noteholders and the Note Purchaser, established and maintained pursuant to SECTION 4.2 of the Sale and Servicing Agreement.

"PRINCIPAL BALANCE" of a Receivable means the Amount Financed minus the sum of the following amounts without duplication: (i) that portion of all Scheduled Receivable Payments actually received on or prior to such day allocable to principal using the Simple Interest Method; (ii) any Cram Down Loss in respect of such Receivable; and (iii) any prepayment in full or any partial prepayment applied to reduce the principal balance of the Receivable, all measured as of the close of business on such day.

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

"PROGRAM" has the meaning specified in SECTION 4.11 of the Sale and Servicing Agreement.

"PURCHASE AMOUNT" means, on any date with respect to a Defective Receivable, the sum of (a) the Principal Balance of such Receivable as of the date of purchase of such Receivable, and (b) all accrued and unpaid interest on the Receivable.

"PURCHASE PRICE" means, with respect to each Receivable and related Other Conveyed Property transferred to the Purchaser on the Closing Date or on any Funding Date, an amount equal to the Principal Balance of such Receivable as of the Closing Date or such Funding Date, as applicable.

"PURCHASED RECEIVABLE" means a Receivable purchased by the Servicer pursuant to SECTION 4.7 of the Sale and Servicing Agreement or repurchased by the Seller pursuant to SECTION 3.2 of the Sale and Servicing Agreement.

"PURCHASER" means Page Three Funding LLC.

"PURCHASER PROPERTY" means the Receivables and Other Conveyed Property, together with certain monies received after the related Cutoff Date, the Receivables Insurance Policies, the Collection Account (including all Eligible Investments therein and all proceeds therefrom), the Lockbox Account and certain other rights under the Sale and Servicing Agreement.

"REALIZED LOSSES" means, with respect to any Receivable that becomes a Liquidated Receivable, the excess of the Principal Balance of such Liquidated Receivable over Net Liquidation Proceeds allocable to principal thereof.

"RECEIVABLE" means each retail installment sale contract for a Financed Vehicle which is listed on the Schedule of Receivables and all rights and obligations thereunder, except for Receivables that shall have become Purchased Receivables, and, for the avoidance of doubt, shall include all Related Receivables (other than Related Receivables that shall have become Purchased Receivables).

"RECEIVABLE FILES" means the documents specified in SECTION 3.3(A) of the Sale and Servicing Agreement.

"RECEIVABLES INSURANCE POLICY" means, with respect to a Receivable, any insurance policy (including the insurance policies described in SECTION 4.4 of the Sale and Servicing Agreement) benefiting the holder of the Receivable providing loss or physical damage, credit life, credit accident, health, credit disability, theft, mechanical breakdown or similar coverage with respect to the Financed Vehicle or the Obligor, including without limitation any GAP, vendor's single interest or other collateral protection insurance policy or coverage;.

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

"REGISTRAR OF TITLES" means, with respect to any state, the governmental agency or body responsible for the registration of, and the issuance of certificates of title relating to, motor vehicles and liens thereon.

"RELATED RECEIVABLES" means, with respect to a Funding Date, the Receivables listed on SCHEDULE A to the applicable Assignment executed and delivered by the Seller with respect to such Funding Date.

"RELEASE REQUEST" has the meaning specified in SECTION 3.5 of the Sale and Servicing Agreement.

"REPOSSESSED RECEIVABLE" means a Receivable with respect to which the earliest of the following shall have occurred: (i) the date the Financed Vehicle is actually repossessed and (ii) 30 days after the date the Financed Vehicle is authorized for repossession.

"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 3.26 of the Indenture.

"SALE AND SERVICING AGREEMENT" means the Sale and Servicing Agreement dated as of November 15, 2005, among the Page Three Funding LLC, as Purchaser and Issuer, CPS, as Seller and Servicer, and Wells Fargo Bank, National Association, as the Backup Servicer and the Trustee, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

"SCHEDULED MATURITY DATE" means November 14, 2006 or such later date as agreed upon pursuant to SECTION 2.05 of the Note Purchase Agreement.

"SCHEDULED RECEIVABLE PAYMENT" means, with respect to any Accrual Period for any Receivable, the amount set forth in such Receivable as required to be paid by the Obligor in such Accrual Period. If after the Closing Date, the Obligor's obligation under a Receivable with respect to an Accrual Period has been modified so as to differ from the amount specified in such Receivable (i) as a result of the order of a court in an insolvency proceeding involving the Obligor, (ii) pursuant to the Servicemembers Civil Relief Act, or (iii) as a result of modifications or extensions of the Receivable permitted by Section 4.2 of the Sale and Servicing Agreement, the Scheduled Receivable Payment with respect to such Accrual Period shall refer to the Obligor's payment obligation with respect to such Accrual Period as so modified.

"SCHEDULE OF RECEIVABLES" means the schedule of all Receivables purchased by the Purchaser pursuant to the Sale and Servicing Agreement and each Assignment, which is attached as Schedule A to the Sale and Servicing Agreement, as amended or supplemented from time to time upon each Assignment of Receivables or in accordance with the terms of the Sale and Servicing Agreement.

"SEASONED RECEIVABLE" shall mean an Eligible Receivable that was sold to the Purchaser and pledged to the Trustee for the benefit of the Noteholders and the Note Purchaser more than 31 days after the Seller's paid the related Dealer for such Eligible Receivable.

"SEAWEST" means SeaWest Financial Corporation, a California corporation.

"SECTION 341 MEETING" means a meeting held pursuant to Section 341(a) of the United States Bankruptcy Code (as the same may be amended from time to time) in which an Obligor subject to a Insolvency Event under Chapter 7 of the United States Bankruptcy Code has presented his/her plan to the bankruptcy court and all of his/her creditors.

"SECTION 341 RECEIVABLE" means a Receivable, the Obligor of which has completed a Section 341 Meeting as of the applicable Cutoff Date.

"SECURED OBLIGATIONS" means all amounts and obligations which the Issuer or Purchaser may at any time owe under the Basic Documents to, or on behalf of the Noteholders, the Note Purchaser and/or the Trustee for the benefit of the Noteholders and the Note Purchaser.

"SECURED PARTIES" means each of the Noteholders, the Note Purchaser and the Trustee for the benefit of the Noteholders and the Note Purchaser, in respect of the Secured Obligations.

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

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

"SELLER'S CONTRACT PURCHASE GUIDELINES" means CPS's established "Contract Purchase Guidelines", as the same may be amended from time to time in accordance with Section 8.2(c) of the Sale and Servicing Agreement.

"SERVICER" means, initially, Consumer Portfolio Services, Inc., as the servicer of the Receivables, and each successor Servicer pursuant to SECTION 10.3 of the Sale and Servicing Agreement.

"SERVICER DELINQUENCY RATIO" means, as of the end of any Accrual Period, a percentage equal to (i) the aggregate outstanding principal balance as of the end of any Accrual Period of all automobile receivables serviced by the Servicer or any Affiliate thereof (excluding automobile receivables acquired or originated by MFN, TFC or SeaWest) as to which more than 10% of the scheduled receivable payment is more than 30 days contractually delinquent as of the end of the immediately preceding Accrual Period, including all receivables for which the related financed vehicle has been repossessed and the proceeds thereof have not yet been realized by the Servicer divided by (ii) the aggregate outstanding principal balance of all automobile receivables serviced by the Servicer or any Affiliate thereof as of the end of the relevant Accrual Period (excluding automobile receivables acquired or originated by MFN, TFC or SeaWest).

"SERVICER EXTENSION NOTICE" has the meaning specified in SECTION 4.15 of the Sale and Servicing Agreement.

"SERVICER LOSS RATIO" means, as of any date, the average of the loss ratios (expressed as a percentage) for the three Accrual Periods immediately preceding such date, as computed based on the methodology set forth in the Servicer's then most recent report on Form 10-Q or Form 10-K, as applicable, for calculation of net losses on automobile receivables originated and serviced by the Servicer (excluding all automobile receivables originated or acquired by MFN, TFC or SeaWest).

"SERVICER TERMINATION EVENT" means an event specified in SECTION 10.1 of the Sale and Servicing Agreement.

"SERVICER TERMINATION SIDE LETTER" means the Servicer Termination Side Letter dated November 15, 2005, from the Note Purchaser to the Servicer, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"SERVICER'S CERTIFICATE" means a certificate completed and executed by a Servicing Officer and delivered pursuant to SECTION 4.9 of the Sale and Servicing Agreement, substantially in the form of EXHIBIT A to the Sale and Servicing Agreement.

"SERVICING ASSUMPTION AGREEMENT" means the Servicing Assumption Agreement, dated as of November 15, 2005, among Consumer Portfolio Services, Inc., as Seller and Servicer, the Backup Servicer and the Trustee, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"SERVICING FEE" has the meaning specified in SECTION 4.8 of the Sale and Servicing Agreement.

"SERVICING FEE PERCENTAGE" means 2.50%, provided that if Backup Servicer is the Servicer, the Servicing Fee Percentage shall be determined in accordance with Servicing and Lockbox Processing Assumption Agreement.

"SERVICING GUIDELINES" means CPS's established servicing guidelines, as the same may be amended from time to time in accordance with Section 9.1(k) of the Sale and Servicing Agreement.

"SERVICING OFFICER" means any Person whose name appears on a list of Servicing Officers delivered to the Trustee and the Note Purchaser, as the same may be amended, modified or supplemented from time to time.

"SETTLEMENT DATE" means, with respect to each Accrual Period, the 15th day of the following calendar month, or if such day is not a Business Day, the immediately following Business Day, commencing on December 15, 2005.

"SIMPLE INTEREST METHOD" means the method of allocating a fixed level payment between principal and interest, pursuant to which the portion of such payment that is allocated to interest is equal to the product of the APR multiplied by the unpaid balance multiplied by the period of time (expressed as a fraction of a year, based on the actual number of days in the calendar month and the actual number of days in the calendar year) elapsed since the preceding payment of interest was made and the remainder of such payment is allocable to principal.

"SIMPLE INTEREST RECEIVABLE" means a Receivable under which the portion of the payment allocable to interest and the portion allocable to principal is determined in accordance with the Simple Interest Method.

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

"STATE" means any one of the 50 states of the United States of America or the District of Columbia.

"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 3.04 of the Note Purchase Agreement.

"TERM" has the meaning set forth in SECTION 2.05 of the Note Purchase Agreement.

"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.

"TFC" means The Finance Company, Inc., a Virginia corporation.

"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 Noteholders (including all Collateral Granted to the Trustee) and the Note Purchaser, including all proceeds thereof.

"TRUST RECEIPT" means a trust receipt in substantially the form of EXHIBIT B to the Sale and Servicing Agreement.

"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 an amount equal to the greater of $2,000 and (b) one-twelfth of 0.04% of the aggregate outstanding principal amount of the Notes on the first day of the related Accrual Period, and (B) any other amounts payable to the Trustee pursuant to the Fee Schedule, including Custodial Fees.

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

EXHIBIT 10.11

INDENTURE dated as of November 15, 2005, by and among PAGE THREE FUNDING LLC, a Delaware limited liability company (the "ISSUER") and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee (the "TRUSTEE").

Each party agrees as follows for the benefit of the other parties and for the benefit of the Note Purchaser and each Holder of the Issuer's Variable Funding Notes (the "NOTES"):

To secure the payment of principal of and interest on, and any other amounts owing in respect of the Notes and the other Secured Obligations, and to secure compliance with this Indenture, the Issuer has agreed to pledge the Collateral (as defined below) as collateral to the Trustee for the benefit of the Noteholders and the Note Purchaser.

As security for the performance by the Issuer of the Secured Obligations, the Issuer has agreed to assign the Collateral (as defined below) as collateral to the Trustee for the benefit of the Noteholders and the Note Purchaser.

GRANTING CLAUSE

The Issuer hereby Grants to the Trustee on each Funding Date, as Trustee for the benefit of the Noteholders and the Note Purchaser, all right, title and interest of the Issuer, whether now existing or hereafter arising, in and to the following;

(a) the Receivables listed in the Schedule of Receivables and each Addition Notice;

(b) all monies received under the Receivables after the related Cutoff Date and all Net Liquidation Proceeds received with respect to the Receivables on and after the related Cutoff Date;

(c) the security interests in the Financed Vehicles and any accessions thereto granted by Obligors pursuant to the related Contracts and any other interest of the Issuer in such Financed Vehicles, including, without limitation, the certificates of title or, with respect to such Financed Vehicles in the States listed in Annex B to the Sale and Servicing Agreement, other evidence of title issued by the applicable Department of Motor Vehicles or similar authority in such States, with respect to such Financed Vehicles;

(d) any proceeds from claims on any Receivables Insurance Policies or certificates relating to the Financed Vehicles securing the Receivables or the Obligors thereunder;

(e) all proceeds from recourse against Dealers with respect to the Receivables and all other rights (but none of the obligations) of the Seller under any agreements with Dealers;

(f) refunds for the costs of extended service contracts with respect to Financed Vehicles securing Receivables, refunds of unearned premiums with respect to credit life and credit accident and health insurance policies or certificates covering an Obligor or Financed Vehicle under a Receivable or his or her obligations with respect to a Financed Vehicle and any recourse to Dealers for any of the foregoing;

(g) the Receivable File related to each Receivable and all other documents that the Issuer keeps on file in accordance with its customary procedures relating to the Receivables, for Obligors of the Financed Vehicles;

(h) all amounts and property from time to time held in or credited to the Collection Account, the Note Distribution Account and the Lockbox Account;

(i) all property (including the right to receive future Net Liquidation Proceeds) that secures a Receivable that has been acquired by or on behalf of the Seller, the Purchaser or the Issuer pursuant to a liquidation of such Receivable;

(j) all of the rights and benefits (but none of the obligations of the Issuer) under the Sale and Servicing Agreement and all other Basic Documents, including a direct right to cause the Seller to purchase Receivables from the Issuer pursuant to the Sale and Servicing Agreement under the circumstances specified therein;

(k) the Note Purchase Agreement (to the extent of the Issuer's rights against, but not including any of its obligations to, the Servicer);

(l) the proceeds from any Servicer's errors and omissions policy or fidelity bond, to the extent that such proceeds relate to any Receivable, Financed Vehicle or other Collateral; and

(m) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the property described in this Granting Clause, the "COLLATERAL").

The foregoing Grant is made in trust to the Trustee, for the benefit of the Noteholders and the Note Purchaser, to secure the payment of principal of and interest on, and any other amounts owing in respect of the Notes, to secure the payment of all Secured Obligations and to secure compliance with this Indenture. 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.

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 Sale and Servicing Agreement dated as of November 15, 2005 among the Issuer, the Seller, the Servicer, the Purchaser, the Backup Servicer and the Trustee, as the same may be amended or supplemented from time to time (the "SALE AND SERVICING AGREEMENT").

SECTION 1.2 [RESERVED].

SECTION 1.3 OTHER DEFINITIONAL PROVISIONS.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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."

(v) 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.

(vi) 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.

(vii) 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. The Notes, together with the Trustee's certificate of authentication, shall be in substantially the form set forth in EXHIBIT A, 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 the Notes, as evidenced by their execution of the Notes. Any portion of the text of the Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Notes. The Notes will be issued on the Closing Date which Notes shall be subject to Advances and prepayments from time to time in accordance with SECTION 2.11 and ARTICLE X, respectively.

(a) 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.

(b) The terms of the Notes set forth in EXHIBIT A are part of the terms of this Indenture.

SECTION 2.2 EXECUTION, AUTHENTICATION AND DELIVERY. 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.

(a) A Note 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 Note or did not hold such offices at the date of such Note.

(b) The Trustee shall upon receipt of an Issuer Order for authentication and delivery, authenticate and deliver the Notes for original issue in an aggregate principal amount up to, but not in excess of, the Maximum Invested Amount.

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

(d) 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 such Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

SECTION 2.3 [RESERVED]

SECTION 2.4 REGISTRATION; REGISTRATION OF TRANSFER AND EXCHANGE. 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 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.

(a) If a Person other than the Trustee is appointed by the Issuer as Note Registrar, such Person must be acceptable to the Note Purchaser and, in addition, the Issuer will give the Trustee, the Note Purchaser and the Noteholders prompt written notice of the appointment of such Note Registrar (once approved by the Note Purchaser) and of the location, and any change in the location, of the Note Register, and the Trustee 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.

(b) 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.

(c) 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.

(d) The Note or Notes 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.

(e) 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 form attached to EXHIBIT A 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.

(f) 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, other than exchanges pursuant to SECTION 9.6 not involving any transfer.

(g) 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 (except with respect to the transfer of the Note or Advance made by the Noteholder), in the case of CLAUSES (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(E) (unless the Issuer determines otherwise in accordance with applicable law).

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.

(b) 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.

(c) 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 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.

(d) 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 four (4) Noteholders then reflected on the Note Register.

(e) 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 FOUR (4) NOTEHOLDERS THEN REFLECTED ON THE NOTE REGISTER.

SECTION 2.6 MUTILATED, DESTROYED, LOST OR STOLEN NOTE. 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.

(a) 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.

(b) 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 the Notes duly issued hereunder.

(c) 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 Issuer or the Trustee shall be affected by notice to the contrary.

SECTION 2.8 PAYMENT OF PRINCIPAL AND INTEREST; DEFAULTED INTEREST.

(a) The Notes shall accrue interest as provided in the form of Note set forth in EXHIBIT A, 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 is registered on the 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 evidence 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) 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, the form of Note attached hereto as EXHIBIT A, and the Sale and Servicing Agreement. The principal amount outstanding under any Note at any time shall be equal to the product of the Percentage Interest represented by such Note and the then outstanding Invested Amount. All principal payments on the Notes shall be made pro rata to the Noteholders entitled thereto based on their respective Percentage Interests. 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 any payment of interest on a Note, the Issuer shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) at the Note Interest Rate then in effect (calculated for this purpose using the Default Applicable Margin) 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 RELEASE OF COLLATERAL. Subject to the terms of the other Basic Documents and SECTIONS 10.1 and 11.1, the Trustee shall, on or after the Termination Date, release any remaining portion of the Trust Estate from the lien created by this Indenture and deposit in the Collection Account any funds then on deposit in any other Pledged Account. In addition, the Trustee shall release Ineligible Receivables from the lien created by this Indenture upon any dividend of such Ineligible Receivables that is permitted under Section 5.10 of the Sale and Servicing Agreement. The Trustee shall release property from the lien created by this Indenture pursuant to this SECTION 2.10 only upon receipt of an Issuer Request accompanied by an Officer's Certificate meeting the applicable requirements of SECTION 11.1.

SECTION 2.11 AMOUNT LIMITED; ADVANCES.

The maximum aggregate principal amount of the Notes that may be authenticated and delivered and Outstanding at any time under this Indenture (except for Notes authenticated and delivered pursuant to SECTION 2.6 in replacement for destroyed, lost or stolen Notes) is limited to the Maximum Invested Amount.

On each Business Day prior to the Facility Termination Date that is a Funding Date, and upon the satisfaction of all conditions precedent to (a) the funding of an Advance and (b) the purchase of Receivables, in each case as set forth in Section 2.1(b) of the Sale and Servicing Agreement, and Section 6.02 and Section 6.03 of the Note Purchase Agreement, the Issuer shall be entitled to borrow additional funds pursuant to an Advance made by the Note Purchaser on such Funding Date, in accordance with Section 2.02 and Section 2.03 of the Note Purchase Agreement, in an aggregate principal amount equal to the Advance Amount (subject to the Maximum Invested Amount) with respect to such Funding Date. Each request by the Issuer for an Advance shall include a certification by the Issuer as to the satisfaction of the conditions specified in the previous sentence.

The aggregate outstanding principal amount of the Notes may be increased (subject to the Maximum Invested Amount) through the funding of the Advances. Each Advance and corresponding Advance Amount shall be recorded by the Note Purchaser, and the Note Purchaser's record (which may be in electronic or other form in the Note Purchaser's reasonable discretion) shall show all Advance Amounts and prepayments. Absent manifest error, such record of the Note Purchaser shall be dispositive with respect to the determination of the outstanding principal amount of the Notes. The Notes (i) can be funded by Advances on any Funding Date in a minimum amount of $2,000,000 and any higher amount (subject to the Maximum Invested Amount), and (ii) subject to subsequent Advances pursuant to this SECTION 2.11, are subject to prepayment in whole or in part, at the option of the Issuer as provided in ARTICLE X herein. In addition, and independent of optional prepayments pursuant to ARTICLE X, in the event that an Borrowing Base Deficiency exists on any date of determination as determined by the Note Purchaser in its sole discretion, the Issuer shall on the same Business Day of the receipt of notice from the Note Purchaser (or if notice is received after 10:01 a.m. New York time, then on the next Business Day), prepay the Invested Amount by an amount equal to such Borrowing Base Deficiency by paying such amount to or at the direction of the Note Purchaser.

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 Note Distribution Account pursuant to the Sale and Servicing Agreement to the Noteholders and the Note Purchaser. Amounts properly withheld under the Code by the Trustee from a payment to the Noteholders of interest and/or principal shall be considered as having been paid by the Issuer to the Noteholders for all purposes of this Indenture.

SECTION 3.2 MAINTENANCE OF OFFICE OR AGENCY. The Issuer will maintain in Minneapolis, Minnesota, an office or agency where the 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 hereby initially appoints the Trustee to serve as its agent for the foregoing purposes. The Issuer will give prompt written notice to the Trustee, the Note Purchaser 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. On or before each Settlement Date, the Trustee shall deposit or cause to be deposited in the Note Distribution Account from the Collection Account an aggregate sum sufficient to pay the amounts then becoming due under the Note, such sum to be held in trust for the benefit of the Persons entitled thereto. 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 Note Distribution Account shall be made on behalf of the Issuer by the Trustee or by the Note Paying Agent, and no amounts so withdrawn from the Note Distribution Account for payment of the Notes shall be paid to the Issuer.

(a) 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 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 Note) of which it has actual knowledge in the making of any payment required to be made with respect to the Note;

(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.

(b) 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.

(c) 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 3.10, the Issuer 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 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 Note, 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 Noteholders and the Note Purchaser, to be prior to all other liens in respect of the Trust Estate, and the Issuer shall take all actions necessary to obtain and maintain, in favor of the Trustee, for the benefit of the Noteholders and the Note Purchaser, 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 Noteholders and the Note Purchaser 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 Trustee, the Noteholders and the Note Purchaser 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.

Subject to Section 4.5 of the Sale and Servicing Agreement, the Issuer hereby authorizes the Note Purchaser, the Trustee and their respective agents to file such financing statements and continuation statements and take such other actions as the Note Purchaser 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 Closing Date, the Issuer shall furnish to the Trustee 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 Noteholders and the Note Purchaser, created by this Indenture in the Receivables and such other items of Collateral that the Note Purchaser may reasonably request be the subject of such opinion (the "Opinion Collateral") 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 in 2006, the Issuer shall furnish to the Trustee and the Note Purchaser 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 refiling 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 created by this Indenture in the Receivables 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 Receivables.

SECTION 3.7 PERFORMANCE OF OBLIGATIONS; SERVICING OF RECEIVABLES. The Issuer 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.

(a) The Issuer may contract with other Persons 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. Initially, the Issuer has contracted with the Servicer to assist the Issuer in performing its duties under this Indenture.

(b) The Issuer 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 Servicing Agreement in accordance with and within the time periods provided for herein and therein. Except as otherwise expressly provided therein, the Issuer shall not waive, amend, modify, supplement or terminate any Basic Document or any provision thereof without the prior written consent of the Note Purchaser and the Majority Noteholders.

(c) If a responsible officer of the Issuer shall have written notice or actual knowledge of the occurrence of a Default, an Event of Default, a Servicer Termination Event or Funding Termination Event under the Sale and Servicing Agreement, the Issuer shall promptly notify the Trustee, the Note Purchaser 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. If a Servicer Termination Event or Funding Termination Event shall arise from the failure of the Servicer to perform any of its duties or obligations under the Sale and Servicing Agreement with respect to the Receivables, the Issuer shall take all reasonable steps available to it to remedy such failure.

(d) The Issuer agrees that it shall not have any right to waive, and shall not waive, timely performance or observance by the Servicer or the Seller of their respective duties under the Basic Documents without the prior written consent of the Note Purchaser and the Majority Noteholders.

SECTION 3.8 NEGATIVE COVENANTS. So long as any Note is Outstanding, the Issuer shall not:

(i) except as expressly permitted by this Indenture or the other Basic Documents, sell, transfer, exchange or otherwise dispose of any of the properties or assets of the Issuer, including those included in the Trust Estate, unless directed to do so by the Majority Noteholders and the Note Purchaser or the Majority Noteholders and the Note Purchaser have approved such disposition;

(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 Note Purchaser or any present or former Noteholders 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 Noteholders and the Note Purchaser 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, any Collateral or any part thereof or any interest therein or the proceeds thereof (other than tax liens, mechanics' liens and other liens that arise by operation of law, in each case on a Financed Vehicle and arising solely as a result of an action or omission of the related Obligor), (C) permit the lien of this Indenture not to constitute a valid first priority (other than with respect to any such tax, mechanics' or other lien) perfected security interest in the Trust Estate or any Collateral or (D) amend, modify or fail to comply with the provisions of any of the Basic Documents without the prior written consent of the Note Purchaser and the Majority Noteholders.

SECTION 3.9 ANNUAL STATEMENT AS TO COMPLIANCE. The Issuer will deliver to the Trustee, the Noteholders and the Note Purchaser on or before March 31 of each year, beginning March 31, 2006 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, 2005) 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, 2005) and no event has occurred and is continuing which is, or after notice or lapse of time or both would become, an Event of Default, 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.

SECTION 3.10 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 Note Purchaser and the Majority Noteholders.

SECTION 3.11 SUCCESSOR OR TRANSFEREE. Upon any consolidation or merger of the Issuer with the prior written consent of the Note Purchaser and the Majority Noteholders in accordance with SECTION 3.10, 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 Note Purchaser and the Majority Noteholders in accordance with SECTION 3.10, 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 Note Purchaser and the Noteholders stating that the Issuer is to be so released.

SECTION 3.12 NO OTHER BUSINESS. The Issuer shall not engage in any business other than financing, purchasing, owning, selling and managing the Related Receivables in the manner contemplated by this Indenture and the other Basic Documents and activities incidental thereto. After the Facility Termination Date, the Issuer shall not purchase any additional Receivables.

SECTION 3.13 NO BORROWING. The Issuer shall not issue, incur, assume, guarantee or otherwise become liable, directly or indirectly, for any Indebtedness except for (i) the Note, and (ii) any other Indebtedness permitted by or arising under the Basic Documents. The proceeds of the Notes shall be used solely to fund the Issuer's purchase of the Related Receivables and the other assets specified in the Sale and Servicing Agreement and to pay the Issuer's organizational, transactional and start-up expenses.

SECTION 3.14 SERVICER'S OBLIGATIONS. The Issuer shall cause the Servicer to comply with Sections 4.9, 4.10, 4.11 and 5.9 of the Sale and Servicing Agreement.

SECTION 3.15 GUARANTEES, LOANS, ADVANCES AND OTHER LIABILITIES. Except as contemplated by the Sale and Servicing Agreement, this Indenture or the other Basic Documents, the Issuer 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 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 shall comply with the requirements of all applicable laws, including, without limitation, Consumer Laws.

SECTION 3.18 RESTRICTED PAYMENTS. The Issuer 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 the Sale and Servicing Agreement. The Issuer will not, directly or indirectly, make payments to or distributions from the Collection Account and the other Pledged Accounts except in accordance with this Indenture and the Basic Documents.

SECTION 3.19 NOTICE OF EVENTS OF DEFAULT AND FUNDING TERMINATION EVENTS. Upon a responsible officer of the Issuer having notice or actual knowledge thereof, the Issuer agrees to give each of the Trustee, the Note Purchaser and the Noteholders prompt written notice of each Event of Default hereunder and each Funding Termination Event, Servicer Termination Event or other Default on the part of the Issuer, the Servicer, 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 Note Purchaser 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 AMENDMENTS OF SALE AND SERVICING AGREEMENT. The Issuer shall not agree to any amendment to Section 11.1 of the Sale and Servicing Agreement to eliminate the requirements thereunder that the Trustee, the Note Purchaser and the Majority Noteholders consent to amendments thereto as provided therein.

SECTION 3.22 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 3.23 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 3.24 AMENDMENT OF 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 Note Purchaser and the Majority Noteholders.

SECTION 3.25 OTHER AGREEMENTS. The Issuer shall not enter into any agreement that does not contain non-petition or limited recourse language acceptable to the Note Purchaser with respect to the Issuer.

SECTION 3.26 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 of the Commitment pursuant to Section 2.05 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 3.27 CHANGE OF CONTROL. CPS will 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 rights of the Note Purchaser to receive payments in respect of amounts owed by the Issuer to the Note Purchaser under the Basic Documents, (iv) SECTIONS 3.3, 3.4, 3.5, 3.6, 3.8, 3.10, 3.11, 3.18, 3.19, 3.20, 3.21, 3.23, 3.24 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 Noteholders and the Note Purchaser 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 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 Secured Obligations; and

(c) the Issuer has delivered to the Trustee, the Noteholders and the Note Purchaser 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 Note Purchaser 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 Note Purchaser); but such moneys need not be segregated from other funds except to the extent required herein, in the Sale and Servicing Agreement or in the other Basic Documents or required by law. Any funds remaining with the Trustee or on deposit in the Pledged Accounts following the repayment in full of the Notes and the other Secured Obligations, the termination of the Commitment, the payment in full of all other amounts owed to the Noteholders and all amounts owed by the Issuer to the Note Purchaser, Trustee and Backup Servicer 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 the Note Paying Agent other than the Trustee under the provisions of this Indenture with respect to the Notes shall, upon demand of the Issuer, be remitted to the Trustee to be held and applied according to SECTION 4.2 and thereupon the Note Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V
REMEDIES

SECTION 5.1 EVENTS OF DEFAULT.

(a) "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):

(i) default in the payment of any interest or principal on the Notes or any other amount due with respect to the Notes or any amount due to the Note Purchaser under any Basic Document when the same becomes due and payable, which default continues for a period of one (1) Business Day;

(ii) failure by the Issuer, the Servicer or the Seller to perform or observe any term, covenant, or agreement under this Indenture or any other Basic Document (other than any term, covenant or agreement referred to in another subparagraph hereof), which failure materially and adversely affects the rights of the Note Purchaser and/or the Noteholders (as determined by the Note Purchaser or the Majority Noteholders in their sole discretion) and is not cured within 30 calendar days after written notice is received by the Issuer, the Servicer or the Seller, as applicable, from the Trustee, the Note Purchaser or a Noteholder or after discovery of such failure by a Responsible Officer of the Issuer, the Servicer or the Seller, as applicable;

(iii) any representation, warranty or statement of the Issuer, the Servicer or the Seller made in this Indenture or any other Basic Document or any certificate, report or other writing delivered pursuant hereto or thereto shall prove to be incorrect as of the time when the same shall have been made, and such incorrectness has a material and adverse affect on the Note Purchaser or the Noteholders (as determined by the Note Purchaser or the Majority Noteholders in their sole discretion) and is not cured within 30 calendar days after written notice is received by the Issuer, the Servicer or the Seller, as applicable, from the Trustee, the Note Purchaser or a Noteholder or after discovery of such failure by a Responsible Officer of the Issuer, the Servicer or the Seller, as applicable;

(iv) failure of the Seller and/or the Issuer to pay money due under any other agreement, note or other instrument relating to Indebtedness, which failure constitutes a default that remains uncured for more than the applicable grace period and such default results in

acceleration of such Indebtedness; or a breach by the Seller and/or the Issuer of any covenant or representation and warranty or any other event shall occur under any other agreement, note or other instrument evidencing Indebtedness, which event constitutes a default and such default results in the acceleration of such Indebtedness; PROVIDED THAT, in every case, such Indebtedness must be in an aggregate amount of at least $1,000,000 in order for an event described in this clause (iv) to constitute an Event of Default;

(v) an application is made by the Issuer, the Seller or the Servicer for the appointment of a receiver, trustee or custodian for all or any portion of the Collateral or any other material assets of the Issuer, the Seller or the Servicer; a petition under any section or chapter of the Bankruptcy Code or any similar Federal or state law or regulation shall be filed by the Issuer, the Seller or the Servicer, or the Issuer, the Seller or the Servicer shall make an assignment for the benefit of its creditors, or any case or proceeding shall be filed by the Issuer, the Seller or the Servicer for its dissolution, liquidation, or termination; or the Issuer, the Seller or the Servicer ceases to conduct its business;

(vi) the Collateral or any other assets of the Issuer, the Seller or the Servicer are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possesion of any receiver, trustee, custodian, or assignee for the benefit of the Issuer, the Seller or the Servicer and the same is not dissolved or dismissed within sixty (60) days thereafter except where any such actions or events would not either individually or in the aggregate materially and adversely affect the financial condition, operations, business or prospects of the Issuer, the Seller or the Servicer, as the case may be; an application is made by any Person other than the Issuer, the Seller or the Servicer for the appointment of a receiver, trustee or custodian for the Collateral or a material portion of the assets of the Issuer, the Seller or the Servicer and the same is not dismissed within sixty (60) days after the application thereof, or the Issuer, the Seller or the Servicer shall have concealed, removed or permitted to be concealed or removed, in the case of the Issuer, any part, and in the case of the Seller or the Servicer, any material 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;

(vii) the Trustee shall for any reason cease to have a first priority perfected security interest in the Collateral;

(viii) the Issuer, the Seller or the Servicer 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, the Seller or the Servicer, or any case or proceeding is filed against the Issuer, the Seller or the Servicer, 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;

(ix) a Borrowing Base Deficiency shall exist and not be cured within one (1) Business Day;

(x) a Servicer Termination Event shall have occurred and is continuing;

(xi) the Note Purchaser or the Majority Noteholders, in its or their reasonable, good faith judgment, has or have determined that there has been a Material Adverse Change with respect to the Issuer, the Servicer, the Seller or the Receivables;

(xii) the occurrence of a Change of Control with respect to the Seller or the Issuer;

(xiii) a final non-appealable judgment by any competent court in the United States is entered against the Seller for the payment of money in an amount in excess of $1,000,000 and remains unpaid and not stayed for more than 45 days; and

(xiv) any Basic Document shall be terminated or cease to be in full force or effect; PROVIDED, HOWEVER, in the case of a termination of the Lockbox Agreement, an Event of Default shall occur only upon the failure of the Seller or the Issuer to obtain a successor lockbox arrangement reasonably acceptable to the Note Purchaser within thirty (30) days of such termination.

(xv) Charles Bradley, Sr. becomes an employee, officer, director or controlling Person of CPS; and

(xvi) CPS fails to refinance for a term of greater than one year or repay any of its senior or subordinated debt that is scheduled to mature in 2005 (as reported in its quarterly report on Form 10-Q for the period ended June 30, 2005).

(b) The Issuer shall deliver to the Trustee, the Note Purchaser and each Noteholder, within two days after the occurrence thereof, written notice in the form of an Officer's Certificate of any Event of Default which has occurred or any event which either with the giving of notice or the lapse of time, or both, would become an Event of Default, its status and what action the Issuer is taking or proposes to take with respect thereto.

(c) After the earlier of the receipt of notice by the Trustee and the date of actual knowledge by a Responsible Officer of the Trustee of the occurrence of any Default or Event of Default hereunder, the Trustee shall give prompt written notice to the Note Purchaser and each Noteholder of each such Default or Event of Default hereunder so known to the Trustee.

SECTION 5.2 RIGHTS UPON EVENT OF DEFAULT. If an Event of Default shall have occurred and be continuing, the Trustee may, and at the direction of the Note Purchaser and the Majority Noteholders shall, and with respect to an Event of Default pursuant to Section 5.1(a)(v) or (vi) hereof, the Trustee shall declare the Notes to be immediately due and payable at par, together with accrued interest thereon (calculated for these purposes using the Default Applicable Margin). In addition, if an Event of Default shall have occurred and be continuing, the Trustee may, and at the direction of the Note Purchaser and the Majority Noteholders shall, exercise any of the remedies specified in SECTION 5.4.

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 Note Purchaser and 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 Note Purchaser 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 5.13.

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 Note Purchaser 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 Note Purchaser, 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 Note Purchaser and the Majority Noteholders and shall, at the direction of the Note Purchaser and the Majority Noteholders, proceed to protect and enforce its rights and the rights of the Note Purchaser and the Noteholders by such appropriate Proceedings as the Trustee, the Note Purchaser and 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 Note Purchaser 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 Note Purchaser and the Noteholders allowed in such proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders and the Note Purchaser 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 Note Purchaser 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 Note Purchaser 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 Note Purchaser 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 Note Purchaser, 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 Note Purchaser any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of the Noteholders

or the Note Purchaser or to authorize the Trustee to vote in respect of the claim of the Noteholders or the Note Purchaser 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 Note Purchaser.

(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 Note Purchaser and the Noteholders, and it shall not be necessary to make the Note Purchaser or the Noteholders a party to any such proceedings. Notwithstanding the foregoing, nothing contained in this Indenture shall be deemed to prohibit the Note Purchaser 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 Note Purchaser and the Majority Noteholders may do one or more of the following (subject to SECTION 5.5):

(i) 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;

(ii) 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;

(iii) 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 Secured Parties; and

(iv) 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 RECEIVABLES. 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 Note Purchaser and 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 PRIORITIES. If the Trustee collects any money or property pursuant to this Article V, it shall pay out the money or property in the following order:

(i) FIRST: to the Trustee for amounts due under Section 6.7;

(ii) SECOND: to the Noteholders for amounts due and unpaid on the Notes in respect of interest (including any premium), ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes in respect of interest (including any premium);

(iii) THIRD: to the Noteholders for amounts due and unpaid on the Notes in respect of principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes in respect of principal, until the outstanding principal amount of the Notes is reduced to zero;

(iv) FOURTH: to the Note Purchaser for any amounts due and owing thereto under the Basic Documents; and

(v) FIFTH: any excess amounts remaining after making the payments described in clauses FIRST through FOURTH above, to be applied pursuant to Section 5.7(a) of the Sale and Servicing Agreement to the extent that any amounts payable thereunder have not been previously paid pursuant to clauses FIRST through FOURTH above.

(b) The Trustee may fix a record date and Settlement Date for any payment to the Note Purchaser and the Noteholders pursuant to this Section. At least 15 days before such record date the Trustee shall mail to the Issuer, the Note Purchaser and each Noteholder a notice that states such record date, the Settlement Date and the amount to be paid.

SECTION 5.7 LIMITATION OF SUITS. Unless the Notes shall be held by the Note Purchaser 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:

(i) the Holder has previously given written notice to the Trustee of a continuing Event of Default;

(ii) 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;

(iii) 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

(iv) 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 Note Purchaser 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 5.8 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 payment of the applicable Percentage Interest 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 Note Purchaser 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 Note Purchaser or the Majority Noteholders, as applicable.

SECTION 5.9 RESTORATION OF RIGHTS AND REMEDIES. If the Note Purchaser 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 Note Purchaser or to such Noteholder, then and in every such case the Issuer, the Trustee, the Note Purchaser 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 Note Purchaser and the Noteholder shall continue as though no such proceeding had been instituted.

SECTION 5.10 RIGHTS AND REMEDIES CUMULATIVE. No right or remedy herein conferred upon or reserved to the Note Purchaser 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 5.11 DELAY OR OMISSION NOT A WAIVER. No delay or omission of the Note Purchaser 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 Note Purchaser or the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, the Note Purchaser or the Noteholders, as the case may be.

SECTION 5.12 [RESERVED].

SECTION 5.13 WAIVER OF PAST DEFAULTS. Prior to the declaration of the acceleration of the maturity of the Notes as provided in SECTION 5.2, the Note Purchaser and 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 Note Purchaser and all of the Noteholders. In the case of any such waiver, the Issuer, the Trustee, the Note Purchaser 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.

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 5.14 UNDERTAKING FOR COSTS. Each of the Issuer, the Trustee and the Note Purchaser 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 Note Purchaser or Noteholders holding in the aggregate more than 10% of Percentage Interests of the Note 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 5.15 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 5.16 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 Note Purchaser and the Majority Noteholders consent 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 5.6 hereof on the Settlement Date next succeeding the date of such sale and (y) all amounts due the Note Purchaser from the Issuer under the Basic Documents.

(b) For any public sale of the Trust Estate, the Trustee shall have provided the Note Purchaser 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 Note Purchaser 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 Note Purchaser 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. 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.

(a) 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.

(b) 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.

(c) 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.

(d) 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 or the Sale and Servicing Agreement.

(e) 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.

(f) 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.

(g) The Trustee shall permit any representative of the Note Purchaser 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 Note Purchaser, with the Trustee's officers and employees responsible for carrying out the Trustee's duties with respect to the Notes and the Note Purchaser.

(h) The Trustee shall, and hereby agrees that it will, perform all of the obligations and duties required of it under the other Basic Documents.

(i) Except for actions expressly authorized by this Indenture, the Trustee shall take no action reasonably likely to impair the security interests created or existing under any Receivable or Financed Vehicle or to impair the value of any Receivable or Financed Vehicle.

(j) All information obtained by the Trustee regarding the Obligors and the Receivables, whether upon the exercise of its rights under this Indenture or otherwise, shall be maintained by the Trustee in confidence and shall not be disclosed to any other Person, other than the Trustee's attorneys, accountants and agents unless such disclosure is required by this Indenture or any applicable law or regulation.

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 Note Purchaser 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, or for the supervision of the Servicer, the Backup Servicer or any other 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 Note Purchaser or the Noteholders, pursuant to the provisions of this Indenture, unless the Note Purchaser 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 Note Purchaser 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 or the Sale and Servicing Agreement, 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 Note Purchaser and each Noteholder a notice of the 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 Note Purchaser such information as may be reasonably required to enable the Noteholders and the Note Purchaser to prepare their respective Federal and State income tax returns.

SECTION 6.7 COMPENSATION AND INDEMNITY. Pursuant to Section 5.7 of the Sale and Servicing Agreement, the Issuer shall pay to the Trustee from time to time compensation for its services. 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 5.7 of the Sale and Servicing Agreement, 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 the Servicer 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 the Servicer promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuer and the Servicer shall not relieve the Issuer of its obligations hereunder or the Servicer of its obligations under Article XII of the Sale and Servicing Agreement. The Trustee may have separate counsel and the Issuer shall or shall cause the Servicer to pay the reasonable fees and expenses of such counsel. Neither the Issuer nor the Servicer 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(a)(v) 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 Note Purchaser.

SECTION 6.8 REPLACEMENT OF TRUSTEE. The Issuer may, with the consent of the Note Purchaser and the Majority Noteholders, and at the request of the Note Purchaser and 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 Note Purchaser or a Noteholder;

(ii) an Insolvency Event with respect to the Trustee occurs; or

(iii) the Trustee otherwise becomes incapable of acting.

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 Note Purchaser and the Majority Noteholders. If the Issuer fails to appoint such a successor Trustee, the Note Purchaser and the Majority Noteholders may appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee, the Note Purchaser, 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.

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 Note Purchaser or the Majority Noteholders may petition any court of competent jurisdiction for the appointment of a successor Trustee.

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.

Notwithstanding the replacement of the Trustee pursuant to this Section, the Issuer's and the Servicer's obligations under Section 6.7 shall continue for the benefit of the retiring Trustee.

SECTION 6.9 SUCCESSOR TRUSTEE BY MERGER. 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 Note Purchaser prior written notice of any such transaction.

(a) 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. 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 Note Purchaser 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 Note Purchaser, 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 Note Purchaser or the Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.8 hereof.

(a) 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.

(b) 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.

(c) 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 Note Purchaser 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 Note Purchaser 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 Note Purchaser, 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 Note Purchaser 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 Note Purchaser in accordance with this Indenture. The Trustee shall not be required to take any discretionary actions hereunder except at the written direction of the Note Purchaser 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 Note Purchaser 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 Note Purchaser or the Noteholders except for negligence, bad faith or willful misconduct in carrying out its duties to the Note Purchaser 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 Note Purchaser 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 Note Purchaser 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 Note Purchaser or 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 Note Purchaser and the Noteholders of an Opinion of Counsel to the effect described in Section 3.4.

(c) ACCEPTANCE BY SUCCESSOR. The Majority Noteholders and the Note Purchaser 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 Note Purchaser, 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 Note Purchaser 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 Note Purchaser 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 Note Purchaser 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.

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 any Pledged Account and agrees that amounts in the Pledged Accounts shall at all times be held and applied solely in accordance with the provisions hereof.

SECTION 6.21 CONTROL BY THE NOTE PURCHASER AND THE MAJORITY NOTEHOLDERS. The Trustee shall comply with notices and instructions given by the Issuer only if accompanied by the written consent of the Note Purchaser and 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 Note Purchaser or 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 and the Sale and Servicing Agreement. Except as otherwise expressly provided in this Indenture or in 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 RELEASE OF TRUST ESTATE. 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.

(a) The Trustee shall, at such time as there is no Note Outstanding, all amounts due and owing to the Note Purchaser and the Noteholders under any of the Basic Documents have been paid in full, all sums due the Trustee pursuant to Section 6.7 have been paid and the term of the Commitment shall have expired, release any remaining portion of the Trust Estate that secured the Notes and the other obligations of the Issuer, the Purchaser and the Seller to the Note Purchaser and the Noteholders pursuant to the Basic Documents from the lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds then on deposit in the Pledged Accounts. The Trustee shall release property from the lien of this Indenture pursuant to this Section 8.2(b) only upon receipt of an Issuer Request accompanied by an Officer's Certificate, a copy of each of which shall also be delivered to the Note Purchaser and the Noteholders.

(b) OPINION OF COUNSEL. The Trustee shall receive at least seven days' notice when requested by the Issuer to take any action pursuant to Section 8.2(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 Note Purchaser 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

With the prior written consent of the Note Purchaser and the Majority Noteholders, the Issuer 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 of the following purposes:

(i) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the Notes contained;

(iii) to add to the covenants of the Issuer, for the benefit of the Noteholders and the Note Purchaser, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any supplemental indenture which may be inconsistent with any other provision herein or in any supplemental indenture or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture; provided that such action shall not adversely affect the interests of the Note Purchaser or the Noteholders; or

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor trustee with respect to the Notes and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Article VI.

The Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

(b) The Issuer and the Trustee, when authorized by an Issuer Order, may, also with the consent of the Note Purchaser and the Majority Noteholders, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Note Purchaser or the Noteholders under this Indenture; provided, however, that such action shall not, as evidenced by an Opinion of Counsel, adversely affect in any material respect the interests of the Note Purchaser or the Noteholders.

SECTION 9.2 SUPPLEMENTAL INDENTURES WITH CONSENT OF THE NOTE PURCHASER AND THE MAJORITY NOTEHOLDERS. The Issuer and the Trustee, when authorized by an Issuer Order, also may, with the prior written consent of the Note Purchaser and the Majority Noteholders, enter into an indenture or indentures supplemental hereto for any purpose; provided, however, that, no such supplemental indenture shall, without the prior written consent of the Note Purchaser and all of the Noteholders:

(i) change the date of payment of any installment of principal of or interest on the Notes or any other amount owed by the Issuer under the Basic Documents, or reduce the Percentage Interest thereof, the interest rate thereon, change the provision of this Indenture relating to the application of collections on, or the proceeds of the sale of, the Trust Estate to payment of principal of or interest on the Notes or any other amount owed by the Issuer under the Basic Documents, or change any place of payment where, or the coin or currency in which, the Notes or the interest thereon or any other amount owed by the Issuer under the Basic Documents is payable;

(ii) impair the right to institute suit for the enforcement of the provisions of this Indenture requiring the application of funds available therefor, as provided in ARTICLE V, to the payment of any such amount due on the Notes or any other amount owed by the Issuer under the Basic Documents on or after the respective due dates thereof;

(iii) reduce the Percentage Interest, the consent of the Holders of which is required for any such supplemental indenture, or eliminate the requirement that the Note Purchaser consent thereto, or the consent of the Holders of which or the Note Purchaser is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences provided for in this Indenture;

(iv) modify or alter the provisions of the proviso to the definition of the term "OUTSTANDING";

(v) reduce the Percentage Interest required to direct the Trustee to direct the Issuer to sell or liquidate the Trust Estate or eliminate the requirement that the Note Purchaser so direct pursuant to Section 5.4;

(vi) modify any provision of this Section except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture or the other Basic Documents cannot be modified or waived without the consent of the Note Purchaser and the Majority Noteholders;

(vii) modify any of the provisions of this Indenture in such manner as to affect the calculation of the amount or timing of any payment of (x) interest or principal due on the Notes on any Settlement Date (including the calculation of any of the individual components of such calculation) or to affect the rights of the Noteholders to the benefit of any provisions for the mandatory redemption of the Notes contained herein or (y) any amount due to the Note Purchaser from the Issuer under the Basic Documents, or affect the rights of the Note Purchaser under the Basic Documents; or

(viii) permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to any part of the Trust Estate or, except as otherwise permitted or contemplated herein or in any of the Basic Documents, terminate the Lien of this Indenture on any property at any time subject hereto or deprive the Noteholders or the Note Purchaser of the security provided by the Lien of this Indenture.

(b) Unless otherwise specified by the Note Purchaser or the Noteholders, it shall be necessary for any Act of the Note Purchaser or the Noteholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

(c) Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to this Section, the Trustee shall mail to the Note Purchaser and 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 9.3 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 9.4 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 Note Purchaser 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, the form of Note attached as EXHIBIT A and the Sale and Servicing Agreement. The Issuer may, at its option, prepay the Invested Amount of the Notes, 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 no such prepayment may occur (i) unless and until all amounts due and payable in respect of clauses (i) through (vii) of Section 5.7(a) of the Sale and Servicing Agreement have been paid in full irrespective of whether Available Funds are sufficient for this purpose or (ii) if, after giving effect to such prepayment and the release of any related Collateral, a Borrowing Base Deficiency shall exist. Simultaneous with any such prepayment, the Issuer shall pay all accrued and unpaid interest on the Invested Amount to be prepaid and all other amounts then due and owing under the Basic Documents. Upon the deposit of any prepayment and all such other amounts then due and owing under the Basic Documents into the Collection Account, the Trustee shall release the Collateral that is the subject of such prepayment from the lien of this Indenture. In connection with such prepayment, the Trustee shall be entitled to conclusively rely upon the direction of the Issuer to the Trustee (a form of which is attached hereto as EXHIBIT E) to release such Collateral as may be identified by the Issuer in writing and consented to in writing by the Note Purchaser as being the subject of such prepayment upon the conditions specified in such writing. All prepayments in part shall be in principal amounts of at least $100,000.

SECTION 10.2 NOTICE OF PREPAYMENT. Notice of the prepayment of the Note 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 Note Purchaser and each Noteholder. All notices of prepayment shall state (i) the Prepayment Date, (ii) the Invested Amount to be prepaid, (iii) the estimated accrued and unpaid interest on the Invested Amount to be prepaid and (iv) any other amounts due and owing to the Note Purchaser under the Basic Documents. Failure to give notice of prepayment, or any defect therein, to a Noteholder or the Note Purchaser shall not impair or affect the validity of such prepayment.

SECTION 10.3 GENERAL PROCEDURES. The Invested Amount of the Notes and amounts due to the Note Purchaser 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 Noteholders or the Note Purchaser, as applicable. The Invested Amount of the Notes and amounts due to the Note Purchaser 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 Noteholders or the Note Purchaser, as applicable, such principal, interest and/or other amount shall be reinstated in an amount equal to the amount returned by the Noteholders or the Note Purchaser, 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. 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 (other than any request hereunder by the Issuer for an Advance), the Issuer shall furnish to the Trustee, with a copy of each to the Note Purchaser 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 the basis for the release of any property or securities 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 Note Purchaser 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) Other than with respect to the release of any Purchased Receivables or Liquidated Receivables or the release, if any, of any Receivables upon a mandatory or partial prepayment of the Notes and other amounts due to the Note Purchaser from the Issuer under the Basic Documents pursuant to Section 10.1, whenever any property or securities are to be released from the lien of this Indenture, the Issuer shall also furnish, prior to or contemporaneous with such release, to the Trustee, with a copy thereof to the Note Purchaser and the Noteholders, an Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (such fair value to be as of a date within 90 days of such release) of the property or securities proposed to be released and stating that in the opinion of such person the proposed release will not impair the security under this Indenture in contravention of the provisions hereof.

(d) Notwithstanding Section 2.10 or any provision of this Section, the Issuer may (A) collect, liquidate, sell or otherwise dispose of Receivables as and to the extent permitted or required by the Basic Documents and (B) make cash payments out of the Pledged Accounts as and to the extent permitted or required by the Basic Documents.

SECTION 11.2 FORM OF DOCUMENTS DELIVERED TO TRUSTEE. 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.

(a) 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 Servicer, the Seller, the Purchaser or the Issuer, stating that the information with respect to such factual matters is in the possession of the Servicer, 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.

(b) 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.

(c) 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 NOTE PURCHASER. 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 Note Purchaser may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholder or the Note Purchaser 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 Note Purchaser 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.

(a) 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.

(b) The ownership of the Notes shall be proved by the Note Register.

(c) 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 NOTE PURCHASER AND NOTEHOLDERS. Any request, demand, authorization, direction, notice, consent, waiver or Act of the Noteholders or the Note Purchaser or other documents provided or permitted by this Indenture to be made upon, given or furnished to or filed with:

(i) the Trustee by the Note Purchaser, 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;

(ii) the Issuer by the Trustee or by the Note Purchaser or the Noteholders shall be sufficient for every purpose hereunder if personally delivered, delivered by overnight courier or mailed certified mail, return receipt requested and shall deemed to have been duly given upon receipt by the Issuer at the Corporate Trust Office of the Owner Trustee, with a copy to Consumer Portfolio Services, Inc. 16355 Laguna Canyon Road, Irvine, California 92618 Attention: Mark Creatura, Esq. Confirmation: (888) 785-6691, Telecopy No. (949) 753-6897 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 Note Purchaser to the Trustee; or

(iii) the Note Purchaser 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 as follows (or such other address previously furnished in writing to the Trustee):

To the Note Purchaser:

Bear, Stearns & Co. Inc.,
as agent for Bear, Stearns International Limited
383 Madison Ave., 10th Floor
Attention: Clark MacKenzie
New York, New York 10179

Telephone: 212-272-4076
Telecopy: 917-849-1151

w/ a copy to:

Bear, Stearns & Co. Inc.,
as agent for Bear, Stearns International Limited
383 Madison Ave., 10th Floor
Attention: Michael Solender
New York, New York 10179

Telephone: 212-272-7850
Telecopy: 917-849-10728
Telecopy: 212-272-2053

(iv) 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.

(v) The Note Purchaser may deliver to the Noteholders any notices, reports, Servicer's Certificates or any other documentation delivered to the Note Purchaser 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 Note Purchaser 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 Note Purchaser 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 Note Purchaser providing for a method of payment, or notice by the Trustee or the Note Paying Agent to such Holder or the Note Purchaser, 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.

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

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 INSPECTION. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Note Purchaser, a Noteholder or the Trustee, during the Issuer's normal business hours, to examine all the books of account, records, reports, and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited by independent certified public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees, and independent certified public accountants, all at such reasonable times and as often as may be reasonably requested. Each of the Trustee, the Note Purchaser and the Noteholders shall and shall cause their respective representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Trustee may reasonably determine that such disclosure is consistent with its Obligations hereunder.

SECTION 11.18 ENTIRE AGREEMENT. This Agreement, 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.

IN WITNESS WHEREOF, the Issuer 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.

PAGE THREE FUNDING LLC, as Issuer

By:_____
Name:_____
Title:_____

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By:_____
Name:_____
Title:_____

EXHIBIT A

VARIABLE FUNDING NOTE

REGISTERED Maximum Invested Amount: $150,000,000

No. A-1 _____ Percentage Interest:_____%

SEE REVERSE FOR CERTAIN CONDITIONS

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 PRINCIPAL OF THIS NOTE IS PAYABLE IN INSTALLMENTS AND SUBJECT TO INCREASES AND DECREASES AS SET FORTH HEREIN AND IN THE INDENTURE. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

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 FOUR (4) PERSONS REFLECTED ON THE NOTE REGISTER AS NOTEHOLDERS.

PAGE THREE FUNDING LLC
VARIABLE FUNDING NOTE

PAGE THREE FUNDING LLC, a Delaware limited liability company (herein referred to as the "ISSUER"), for value received, hereby promises to pay to [_____] (the "NOTEHOLDER"), or its registered assigns, such Noteholder's pro rata portion (based on the Percentage Interest reflected on the face of this Note) of the principal sum of ONE HUNDRED FIFTY MILLION DOLLARS ($150,000,000.00) or, if less, the Holders pro rata portion (based on the Percentage Interest reflected on the face of this Note) of the aggregate unpaid principal amount outstanding under all of the 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. The Issuer will pay interest on the Holder's pro rata portion of Advances under all of the Notes at the Note Interest Rate. Such interest on Advances shall be due and payable on each Settlement Date until the principal of this 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 Note Interest Rate for such date during the Interest Period, (ii) the Aggregate Principal Balance 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 Noteholders' Interest Carryover Shortfall with respect to prior Interest Periods, with interest on the amount of such Noteholders' Interest Carryover Shortfall at the Note Interest Rate from the first Business Day of the related Interest Period. Prior to the Facility Termination Date and unless an Event of Default shall have occurred, the Issuer shall only be required to make interest payments on the Invested Amount of the Note to the holder hereof; provided that the Issuer may, at its option, prepay the Invested Amount of the Notes, 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 Note Purchaser and the Majority Noteholders may declare the Invested Amount of the Notes 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 Note shall be paid in the manner specified on the reverse hereof.

The principal of and interest on this 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 Note does not represent an interest in, or an obligation of, the Servicer or any affiliate of the Servicer other than the Issuer.

Reference is made to the further provisions of this Note set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this 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 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 Servicer 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 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: November __, 2005

PAGE THREE FUNDING LLC

By:_____
Name:_____
Title:_____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is the 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 NOTE

This Note is the duly authorized Note of the Issuer, designated as its Variable Funding Note (herein called the "NOTE"), issued under (i) the Indenture, dated as of November 15, 2005 (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"), between the Issuer 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 Note Purchaser and the Noteholders. The Note is subject to all terms of the Indenture. All terms used in this 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, with respect to each Accrual Period, the 15th day of the following calendar month, or if such day is not a Business Day, the immediately following Business Day, commencing on December 15, 2005.

As described above, the entire unpaid principal amount of this Note shall be due and payable on the Facility Termination Date. Notwithstanding the foregoing, if an Event of Default or shall have occurred and be continuing then, in certain circumstances, principal on the Note may be paid earlier, as described in the Indenture.

Payments of interest on this 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 Note, shall be made by wire transfer to the Holder of record of this Note (or any predecessor Note) on the Note Register as of the close of business on each Record Date. Any reduction in the principal amount of this Note (or any predecessor Note) effected by any payments made on any date shall be binding upon all future Holders of this Note and of any 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 Note will be paid to the Noteholders only upon presentation and surrender of this Note at the Corporate Trust Office for cancellation by the Trustee.

The Issuer shall pay interest on overdue installments of interest at the Note Interest Rate (calculated for this purpose using the Default Applicable Margin) to the extent lawful.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the Note Register upon surrender of this 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 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 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. Other than exchanges pursuant to Section 9.6 of the Indenture not involving a transfer.

The obligations of the Issuer under the Indenture, this Note and the other Basic Documents shall be full recourse obligations of the Issuer. Notwithstanding the foregoing, the Noteholder, by its acceptance of this 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 Notes, under the Indenture or 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, the Seller or the Servicer hereunder or under any other Basic Document, as applicable, which obligations are full recourse obligations of the Issuer, the Purchaser, the Seller and the Servicer.

Each Noteholder, by its acceptance of this Note, covenants and agrees that by accepting the benefits of the Indenture that such 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 Note, the Indenture or the Basic Documents.

Prior to the due presentment for registration of transfer of this Note, the Trustee and any agent of the Trustee may treat the Person in whose name the Note (as of the applicable Record Date) is registered as the owner hereof for all purposes, whether or not the 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 Noteholders that, for Federal, State and local income and franchise tax purposes, this Note will evidence indebtedness of the Issuer secured by the Collateral. Each Noteholder, by its acceptance of the Note, agrees to treat the 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 Note Purchaser and the Noteholders under the Indenture at any time by the Issuer with the consent of the Note Purchaser and the Majority Noteholders. The Indenture also contains provisions permitting the Note Purchaser and/or 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 Note Purchaser and the Majority Noteholders (or the Holders of any predecessor Note) shall be conclusive and binding upon the Note Purchaser, the current Noteholders and all

future Noteholders and of this 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 Note.

The Indenture also permits the Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of the Note Purchaser and the Majority Noteholders.

The term "ISSUER" as used in this Note includes any successor to the Issuer under the Indenture.

This Note is issuable only in registered form in denominations as provided in the Indenture, subject to certain limitations set forth therein.

This 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 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 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.

EXHIBIT 10.12

NOTE PURCHASE AGREEMENT

THIS NOTE PURCHASE AGREEMENT, dated as of November 15, 2005 (as amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof, this "AGREEMENT"), is made among PAGE THREE FUNDING LLC, a Delaware limited liability company (the "ISSUER"), CONSUMER PORTFOLIO SERVICES, INC., a California corporation ("CPS" or the "SERVICER"), and BEAR, STEARNS INTERNATIONAL LIMITED, a limited liability company incorporate in England and Wales, as Note Purchaser (in such capacity, together with any successors in such capacity, the "NOTE PURCHASER").

R E C I T A L S

1. Contemporaneously with the execution and delivery of this Agreement, 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"), are entering into the Indenture, of even date herewith (as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms thereof, the "INDENTURE"), pursuant to which the Issuer will issue a class of Variable Funding Notes (the "NOTES").

2. The security for the Notes will include retail installment sale contracts secured by the new and used automobiles, vans, minivans and light trucks financed thereby and certain other Conveyed Property. The Receivables will initially be serviced by CPS. The Notes will be secured by the Receivables, which will be pledged by the Issuer to the Trustee from time to time pursuant to the Indenture.

3. The Issuer will acquire a pool of Receivables (the "INITIAL RECEIVABLES") from CPS pursuant to a Sale and Servicing Agreement, dated as of November 15, 2005 (such date, the "INITIAL CUTOFF DATE" and such agreement, the "SALE AND SERVICING AGREEMENT"), among the Issuer, as purchaser, CPS, as seller and servicer (in such capacities, the "SELLER" and the "SERVICER," respectively), and the Trustee. The Issuer will in turn pledge the Initial Receivables to the Trustee pursuant to the Indenture. From time to time prior to the Facility Termination Date pursuant to the Sale and Servicing Agreement, the Seller will sell, and the Issuer will purchase, additional pools of Receivables (the "ADDITIONAL RECEIVABLES" and, together with the Initial Receivables, the "RECEIVABLES") secured by the new and used automobiles, vans, minivans and light trucks financed thereby and certain other Conveyed Property. The Initial Receivables and the Additional Receivables will be described in the schedules to one or more assignments by the Seller to the Issuer (each, an "ASSIGNMENT") dated as of the cutoff date specified therein (such date, a "CUTOFF DATE" and each date of transfer, a "FUNDING DATE", in each case with respect to the related Receivables and other Collateral). The Issuer will in turn pledge the Additional Receivables to the Trustee pursuant to the Indenture. In addition to the Receivables, repayment of the Notes will be secured by a security interest in the other Collateral.

4. The Issuer wishes to issue the Notes in favor of the Note Purchaser and obtain the agreement of the Note Purchaser to purchase the Notes and to purchase increases in the Notes from time to time (each, an "ADVANCE"), all of which Advances (including the Initial Advance) will constitute Advances, and all of which Advances (including the Initial Advance) will be evidenced by

the Notes purchased in connection herewith. Each Advance and all Advance Amounts with respect thereto will rank pari passu and will be secured by all of the Collateral regardless of whether a particular Receivable was pledged to the Trustee prior to, on the date of, or subsequent to the date of such Advance or Advance Amount without preference or priority of any kind. Subject to the terms and conditions of this Agreement and the other Basic Documents, the Note Purchaser is willing to purchase Advances from time to time in an aggregate outstanding amount up to the Maximum Invested Amount until the Facility Termination Date. CPS has joined in this Agreement to confirm certain representations, warranties and covenants made by it as Servicer and as Seller for the benefit of the Note Purchaser.

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 to the Sale and Servicing Agreement. 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 NOTE

SECTION 2.01 THE INITIAL NOTE PURCHASE. On the terms and conditions set forth in the Indenture, the Sale and Servicing Agreement and this Agreement, and in reliance on the covenants, representations and agreements set forth herein and therein, the Issuer shall issue and cause the Trustee to authenticate and deliver to the Note Purchaser the Notes on the Closing Date. The Notes shall be dated the Closing Date, registered in the name of "Bear, Stearns Securities Corp.", the nominee of the Note Purchaser, and duly authenticated in accordance with the provisions of the Indenture.

SECTION 2.02 ADVANCES. Upon the Issuer's request, delivered in accordance with the provisions of SECTION 2.03, subject to the satisfaction of all conditions precedent thereto and to the terms and conditions of the Basic Documents, and in reliance upon the representations and warranties set forth herein and therein, the Note Purchaser shall purchase Advances from time to time during the Term at the relevant Advance Amount; provided that no Advance shall be required or permitted to be purchased on any date if, after giving effect to such Advance, (a) the Invested Amount would exceed the Maximum Invested Amount or (b) a Borrowing Base Deficiency exists or would exist. Subject to the terms and conditions of this Agreement and the Indenture, the aggregate principal amount of the Notes outstanding may be increased, to a maximum amount not to exceed the Maximum Advance Amount, or decreased from time to time.

SECTION 2.03 ADVANCE AND PREPAYMENT PROCEDURES.

(a) Whenever the Issuer wishes the Note Purchaser to purchase an Advance, the Issuer shall (or shall cause the Servicer to) notify the Note Purchaser by telephone, promptly followed by written notice, with an electronic copy of such notice sent to the Note Purchaser, substantially in the form of EXHIBIT B hereto (each such request, an "ADVANCE REQUEST"), together with the related Addition Notice, a Borrowing Base Certificate and a data tape or other electronic file containing information regarding the Related Receivables to be transferred on such Funding Date delivered to the Note Purchaser no later than 2:00 p.m. (New York City time) four (4) Business Days prior to the proposed Funding Date. Each such Advance Request shall be irrevocable and shall in each case refer to this Agreement and specify the aggregate amount of the requested Advance to be purchased on such date, which amount shall be not less than $2,000,000. The Note Purchaser shall promptly thereafter (but in no event later than 11:00 a.m. New York City time on the proposed Funding Date) notify the Issuer whether the Note Purchaser has determined to purchase the requested Advance. On the Funding Date, subject to the other conditions set forth herein, in the Indenture, and in the Sale and Servicing Agreement, the Note Purchaser shall pay the Advance Amount for such Advance to or at the direction of the Issuer, by wire transfer in U.S. dollars of such amount in same day funds to an account designated by the Issuer or its designee on the related Funding Date. The Issuer hereby directs the Note Purchaser to pay the Advance Amount for each Advance to CPS for the benefit of the Issuer.

(b) No later than three (3) Business Days prior to a proposed Funding Date, the Seller shall either (i) transmit to the Note Purchaser or its designee in electronic format or (ii) make scanned copies available to the Note Purchaser or its designee for review by the Note Purchaser or its designee at the Seller's offices during normal business hours, of a statistically significant sample of the credit files of the Related Receivables, such sample size to be determined and sample selected in the discretion of the Note Purchaser.

(c) The Notes may be prepaid in whole or in part in accordance with Article X of the Indenture.

SECTION 2.04 THE NOTES. On each date an Advance is purchased, increasing the outstanding principal amount of the Notes, and on each date the outstanding principal amount of the Notes is reduced, a duly authorized officer, employee or agent of the Note Purchaser shall make appropriate notations in its books and records of the amount of such Advance and the amount of such reduction, as applicable. Every such notation shall be dispositive of the accuracy of the information so recorded and shall be conclusive and binding on the Issuer absent manifest error.

SECTION 2.05 COMMITMENT TERM; OPTIONAL RENEWAL. The "TERM" of the Commitment hereunder shall be for a period commencing on the Closing Date and ending on the Facility Termination Date. Thereafter, the Term may be extended for one or two additional 364-day periods in the respective discretion, and upon the mutual agreement. of the parties, which agreement may take the form of changing the specified "Facility Termination Date" together with such other terms upon which the parties may agree. Notwithstanding the foregoing, nothing contained in this SECTION 2.05 shall obligate any of the parties hereto to extend any Term unless it shall desire to do so in its sole discretion.

SECTION 2.06 APPOINTMENT OF TRUSTEE UNDER INDENTURE. The Note Purchaser hereby acknowledges and approves the appointment of Wells Fargo Bank, National Association as the Trustee with respect to the Collateral pursuant to Section 6.13 of the Indenture.

ARTICLE III
FEES

SECTION 3.01 FEES.

(a) On the Closing Date, the Issuer and the Servicer shall jointly and severally pay or cause to be paid to the Note Purchaser a structuring fee equal to the product of (x) 0.50% and (y) the Maximum Invested Amount.

(b) On each Settlement Date, the Issuer and the Servicer will, jointly and severally, pay or cause to be paid the Commitment Fee to the Note Purchaser pursuant to Section 5.8(a)(iv) of the Sale and Servicing Agreement.

(c) The Issuer and the Servicer shall jointly and severally pay or reimburse Note Purchaser on the Closing Date and thereafter within 30 days following presentment of invoices for all its reasonable out-of-pocket fees, costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, modification or supplement to, or any waiver under, any Basic Document and any other document prepared in connection therewith, and the consummation and administration of the transactions contemplated thereby, including, without limitation, the reasonable fees and disbursements of counsel to Note Purchaser with respect to any of the foregoing, including, without limitation, such fees and disbursements incurred in advising Note Purchaser from time to time as to its rights and remedies under any Basic Document. Such expenses related to the establishment of this facility shall be capped at $100,000 and shall be payable by the Issuer whether or not the transaction closes.

(d) The Issuer and the Seller each hereby, jointly and severally, grant the Note Purchaser (including any of its Affiliates) the right to place a minimum of $300 million of investment grade notes collateralized by certain Eligible Receivables during the Term. On the closing date for each such securitization, the Issuer and the Seller, jointly and severally hereby agree to pay, and shall pay or cause to be paid, a placement fee to the Note Purchaser (or such Affiliate of the Note Purchaser) in an amount equal to 0.40% of the aggregate par amount of the investment-grade notes sold pursuant to such securitization. If less than $300 million in par amount of such investment grade securities are sold through the Note Purchaser (or its Affiliate) pursuant to securitizations during the Term, the Issuer and the Seller jointly and severally hereby agree to pay, and shall pay or cause to be paid, the Minimum Placement Fee to the Note Purchaser (or such Affiliate). Such Minimum Placement Fee will be due and payable to the Note Purchaser (or its Affiliate) on the Minimum Placement Fee Payment Date whether or not the Seller provides the Note Purchaser (or its Affiliate) the opportunity to place such investment-grade notes. The Seller will pay all reasonable out-of-pocket expenses in connection with each such securitization transaction, including, without limitation, rating agency fees and legal due diligence expenses. In addition, the Seller hereby grants the Note Purchaser the exclusive right to act as placement agent for sales of non-investment grade securities issued in connection with each such

securitization for a placement fee for such transaction that will be equal to the greater of (x) the product of 200 basis points and the aggregate par amount of non-investment grade securities sold in such securitization and (y) $100,000. Such placement fee will be subject to the sale of such non-investment grade securities upon terms that are acceptable to the Seller in its sole discretion.

SECTION 3.02 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 making, continuing or maintaining (or of its obligation to make, continue or maintain) any Advances that arise in connection with any change in, or the introduction, adoption, effectiveness, interpretation reinterpretation or phase-in, in each case, after the date hereof, of any law or regulation, directive, guideline, accounting rule, 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 3.03 and 3.04, 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. Such additional amounts shall be payable by the Issuer to the Note Purchaser within five (5) Business Days of its receipt of such notice, and such notice shall, in the absence of manifest error, be conclusive and binding on the Issuer.

SECTION 3.03 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, accounting rule, 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 or the purchases of Advances or the maintenance of the Notes by the Note Purchaser 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. A statement of the Note Purchaser as to any such additional amount or amounts (including calculations thereof in reasonable detail), in the absence of manifest error, shall be conclusive and binding on the Issuer; and PROVIDED, FURTHER, that the initial payment of such increased commitment fee shall include a payment for accrued amounts due under this SECTION 3.03 prior to such initial payment. In determining such additional amount, the Note Purchaser may use any method of averaging and attribution that it shall reasonably deem applicable so long as it applies such method to other similar transactions.

SECTION 3.04 TAXES. All payments by the Issuer of principal of, and interest on, the Notes and all other amounts payable hereunder (including fees) and/or thereunder 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 by the United States 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 "TAXES"); PROVIDED THAT, notwithstanding anything herein to the contrary, the Issuer shall not be required to increase any amounts payable to the Note Purchaser with respect to any Taxes that are imposed on the Note Purchaser at the time of acquisition of the Notes by the Note Purchaser. In the event that any withholding or deduction from any payment to be made by the Issuer hereunder and/or thereunder 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, 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 3.04.

If the Issuer fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Note Purchaser the required receipts or other required documentary evidence, the Issuer shall indemnify the Note Purchaser for any Taxes and incremental Taxes, interest or penalties that may become payable by the Note Purchaser as a result of any such failure. For purposes of this SECTION 3.04, a distribution hereunder by the agent for the Note Purchaser shall be deemed a payment by the Issuer.

SECTION 3.05 MARK-TO-MARKET ADJUSTMENTS.

(a) In the event that a Borrowing Base Deficiency exists on any date of determination as determined by the Note Purchaser in its sole discretion, the Issuer shall on the same Business Day of the receipt of notice from the Note Purchaser (or if notice is received after 10:01 a.m. New York time, then on the next Business Day), prepay the Invested Amount by an amount equal to such Borrowing Base Deficiency by paying such amount to or at the direction of the Note Purchaser. If a Borrowing Base Deficiency is not fully paid by the Issuer pursuant to the immediately preceding sentence, then (i) on

any Funding Date, the Note Purchaser shall net and set-off the amount of any outstanding Borrowing Base Deficiency against the amount of the Advance to be made on such Funding Date and (ii) on each Settlement Date as of which any portion of such Borrowing Base Deficiency shall remain outstanding, any amount otherwise payable to the Issuer on such Settlement Date pursuant to Section 5.7(a)(viii) of the Sale and Servicing Agreement shall instead be paid to the Note Purchaser on such Settlement Date as a prepayment of the Invested Amount (the "Margin Call").

(b) The Servicer, the Seller and the Issuer shall cooperate with the Note Purchaser and will execute and deliver, or cause to be executed and delivered, all such documents that may be reasonably necessary to calculate the Market Value, and will take all such other actions, as Note Purchaser may reasonably request from time to time in order to calculate the Market Value. On each Tuesday and each Thursday (provided such Tuesday or Thursday is a Business Day) of each calendar week during the Term, the Note Purchaser shall advise the Servicer of the Market Value, as calculated by the Note Purchaser in its sole discretion.

SECTION 3.06 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. Unless otherwise specified herein, all amounts payable to the Note Purchaser hereunder or with respect to the Note shall be made by wire transfer of immediately available funds in Dollars not later than 5:00 p.m., New York City time, on the due date therefor. 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. The Issuer makes the following representations and warranties, on which Note Purchaser relies in purchasing the Notes and in making each Advance, and on which the Trustee relies in receiving a security interest in the Receivables and the other Collateral related thereto under the Indenture. Such representations are made as of the date of this Agreement and as of each Funding Date, and shall survive the issuance of the Notes, the making of each Advance and the grant of a security interest in the Receivables and the other Collateral related thereto to the Trustee under the Indenture.

(a) SALE AND SERVICING AGREEMENT. Each of the representations and warranties of the Purchaser set forth in Section 7.1 of the Sale and Servicing 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) REGULATIONS T, U AND X. No proceeds of any Advance 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 Advance to be a "purpose credit" within the meaning of Regulation U. Neither the making of any Advance hereunder, nor the use of the proceeds thereof, will violate or otherwise conflict with the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

(d) 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 such 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.

(e) 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 Servicer, the Note Purchaser, the Trustee or the Backup Servicer in connection with any particular Advance or the negotiation, preparation, delivery or performance of this Agreement, the Notes, the Indenture, the Sale and Servicing 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. On such date, the Issuer had no 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 the Issuer, after due inquiry, that would 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 for use in connection with the transactions contemplated hereby or thereby.

(f) COLLATERAL SECURITY.

(i) The Issuer owns and will own 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. 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 or authorized by the Issuer, except such as have been or may hereinafter be filed pursuant to the Basic Documents and except such as shall be terminated as to the Collateral no later than concurrently with the pledge of such Collateral to the Trustee under the Indenture.

(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.

(iii) Upon filing of the financing statement delivered to the Note Purchaser and the Trustee by the Issuer on or prior to the Closing Date with the Secretary of State of the State of Delaware (which financing statement is in proper form for filing in such jurisdiction and accurately describes the Collateral), the Lien created pursuant to the Indenture will constitute a perfected security interest in the Collateral in favor of the Trustee, which Lien 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 Contracts evidencing the Receivables to the Trustee in accordance with Section 2.1(a) of the Sale and Servicing Agreement, the Lien created pursuant to the Indenture will constitute a perfected security interest in such

Contracts in favor of the Trustee, which Lien will be prior to all other Liens of all other Persons that may be perfected by possession of such Contracts under Article 9 of the Uniform Commercial Code and which Lien is enforceable as such as against all other Persons.

(g) 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.

(h) 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 or its Affiliates, or its counsel, with respect to tax, accounting, regulatory or any other matters.

(i) THE INDENTURE. Each of the representations and warranties of the Issuer contained in the Indenture is true and correct. No party to any Basic Document is in default under any of its obligations thereunder.

(j) ELIGIBLE RECEIVABLES. All of the Receivables included in the Borrowing Base are Eligible Receivables.

(k) NO FRAUDULENT CONVEYANCE. As of the Closing Date and immediately after giving effect to each Borrowing, the fair value of the assets of the Issuer is greater than the fair value of its liabilities (including, without limitation, contingent liabilities of the Issuer), and the Issuer 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 is not transferring any Collateral with any intent to hinder, delay or defraud any of its creditors. The Issuer 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 Receivables by CPS under the Sale and Servicing Agreement.

(l) NO OTHER BUSINESS. The Issuer engages in no business activities other than the purchase of the Receivables and the Other Conveyed Property, pledging the Receivables and the other Collateral to the Trustee under the Indenture, transferring Receivables and the Other Conveyed Property in connection with securitizations and in connection with whole-loan 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 hereof, or as amended with the prior written consent of Note Purchaser. 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.

(m) NO INDEBTEDNESS. The Issuer has no Indebtedness, other than Indebtedness incurred under (or contemplated by) the terms of the Notes, the Indenture, the Sale and Servicing Agreement and this Agreement.

(n) ERISA. The Issuer does not maintain any Plans, and the Issuer agrees to notify the Note Purchaser 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 notice to the Note Purchaser 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.

SECTION 5.02 REPRESENTATIONS AND WARRANTIES OF CPS. CPS makes the following representations and warranties, on which the Issuer relies in purchasing the Receivables and the Other Conveyed Property related thereto, and on which the Note Purchaser relies in purchasing the Notes. Such representations and warranties are made as of the date of this Agreement and as of each Funding Date, and shall survive the sale by CPS to the Issuer of the Receivables and the Other Conveyed Property related thereto under the Sale and Servicing Agreement, the issuance of the Notes, the purchase of each Advance and the grant of a security interest in the Receivables and the other Collateral related thereto by the Issuer to the Trustee under the Indenture.

(a) SALE AND SERVICING AGREEMENT. Each of the representations, warranties and covenants of the Seller and the Servicer in the Sale and Servicing 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) CPS is not 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 would have a Material Adverse Effect and (ii) CPS is not in default under or with respect to any contract, agreement, lease or other instrument to which CPS

is a party and which is material to CPS's condition (financial or otherwise), business, operations or properties, and CPS has not delivered or received any notice of default thereunder, other than such defaults as have been waived.

(d) 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. Neither the making of any Advance hereunder, nor the use of the proceeds thereof, will violate or otherwise conflict with the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

(e) SECURITY INTEREST. Notwithstanding the intent of the parties set forth in Section 2.2 of the Sale and Servicing Agreement, the Sale and Servicing Agreement is effective to create valid and enforceable Liens on the Receivables and the Other Conveyed Property in favor of the Issuer. Upon filing of the financing statement delivered to the Note Purchaser and the Trustee by CPS on or prior to the Closing Date in each jurisdiction (including, without limitation, the State of California) in which required by applicable law (which financing statement is in proper form for filing in each such jurisdiction and accurately describes the Collateral), the Lien created pursuant to the Sale and Servicing Agreement will constitute a first priority perfected security interest in the Receivables and the Other Conveyed Property in favor of the Purchaser, which Lien will be prior to all other Liens and which Lien is enforceable as such as against all Persons.

(f) FULL DISCLOSURE. The information, reports, financial statements, exhibits, schedules, officer's certificates and other documents furnished by or on behalf of CPS, the Servicer, the Seller or any of their respective Affiliates to the Issuer, the Purchaser, the Note Purchaser, the Trustee or the Backup Servicer in connection with any particular Advance or the negotiation, preparation, delivery or performance of this Agreement, the Notes 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 would 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 for use in connection with the transactions contemplated hereby or thereby.

(g) 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 Note Purchaser 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 notice to the Note Purchaser 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.

(h) INSURANCE. During the Term, CPS shall maintain such insurance as is generally acceptable to prudent institutional investors and usual and customary for similar companies in its industry.

SECTION 5.03 REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE NOTE PURCHASER. The Note Purchaser hereby covenants to the Issuer and the Servicer 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 Servicer, as of the date hereof (or 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 Servicer), that:

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

(b) it is either (i) a "qualified institutional buyer" as such term is defined under Rule 144A of 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 of 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 8.03(B) of this Agreement;

(e) it understands that the Notes will bear the legend set out in the form of Note attached as EXHIBIT A-1 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;

(g) it understands that the Notes may be offered, resold, pledged or otherwise transferred only (A) to the Issuer, (B) in a transaction meeting the requirements of Rule 144A under the Securities Act, (C) outside the United States to a foreign person in a transaction meeting the requirements of Regulation S under the Securities Act, or (D) 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;

(h) if it desires to offer, sell or otherwise transfer, pledge or hypothecate the Notes as described in clause (B), (C) or (D) of the preceding paragraph, the transferee of the Notes will be required to deliver a certificate and may under certain circumstances be required to deliver an opinion of counsel, in each case, as described in the Indenture, reasonably satisfactory in form and substance to the Trustee, that an exemption from the registration requirements of the Securities Act applies to such offer, sale, transfer or hypothecation. The Note Purchaser understands that the registrar and transfer agent for the Notes will not be required to accept for registration of transfer the Notes acquired by it unless the terms and conditions of Sections 2.4 and 2.5 of the Indenture have been satisfied;

(i) it will obtain from any purchaser of the Notes substantially the same representations and warranties contained in the foregoing paragraphs; and

(j) 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 enforcement is considered in a proceeding in equity or at law.

ARTICLE VI
CONDITIONS

SECTION 6.01 CONDITIONS TO PURCHASE. The Note Purchaser will have no obligation to purchase the Notes hereunder unless:

(a) each of the Basic Documents shall be in full force and effect and 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;

(b) at the time of such issuance, all conditions to the issuance of the Notes under the Indenture and under SECTION 2.1(B) of the Sale and Servicing Agreement shall have been satisfied and all conditions to the initial Advance set forth under SECTION 6.02 hereof have been satisfied;

(c) the Note Purchaser shall have received a duly executed, authorized and authenticated Note registered in its name and stating that the principal amount thereof shall not exceed the Maximum Invested Amount;

(d) the Issuer shall have paid all fees required to be paid by it on the Closing Date, including all fees required under SECTION 3.01 hereof;

(e) 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 obligations of the Issuer, enforceable against the Issuer in accordance with their terms;

(f) no Material Adverse Change shall have occurred with respect to CPS or the Issuer since September 30, 2005;

(g) the Note Purchaser shall have received:

(i) a duly executed and delivered original counterpart of each Basic Document (other than any Basic Document that contemplates delivery on a date after the Closing Date), each such document being in full force and effect;

(ii) certified copies of charter documents and each amendment thereto, and resolutions of (A) the Board of Directors of each of the Issuer and the Servicer authorizing or ratifying the execution, delivery and performance, respectively, of all Basic Documents to which it is a party, (B) the issuance of Notes contemplated hereunder and (C) the granting of the security interest contemplated under the Indenture, certified by the Secretary or an Assistant Secretary of each of the Issuer and the Servicer as of the Closing 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 Servicer, 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 the Seller and the Servicer in this Agreement and the other Basic Documents to which it is a party are true and correct as of the Closing Date, and that the Seller and the Servicer 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 Closing 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 it is a party are true and correct as of the Closing Date and that 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 Closing Date;

(vi) legal opinions (including opinions relating to true sale, non-consolidation, UCC, enforceability and corporate matters) in form and substance satisfactory to the Note Purchaser;

(vii) evidence satisfactory to the Note Purchaser of completion of all necessary UCC filings and search reports;

(viii) payment of Note Purchaser's reasonable out-of-pocket fees and expenses in accordance with SECTION 3.01(C) hereof;

(ix) copies of certificates (long form) 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 Servicer in the States of Delaware and California, in each case, dated no earlier than 15 days prior to the Closing Date;

(x) copies (which may be delivered in electronic format) of any commitment or agreement between the Issuer and the Servicer and any lender or other financial institution, other than any such commitment or agreement (or portion thereof) which the Note Purchaser specifically agrees are not required to be delivered hereunder; and

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

(h) the Note Purchaser shall have completed to its satisfaction its due diligence review of the Issuer and the Servicer and its respective management, controlling stockholders, systems, underwriting, servicing and collection operations, static pool performance and its loan files.

SECTION 6.02 CONDITIONS TO EACH ADVANCE. The obligation of the Note Purchaser to fund any Advance on any day (including the Initial Advance) shall be subject to the conditions precedent that on the date of such Advance, before and after giving effect thereto and to the application of any proceeds therefrom, the following statements shall be true:

(a) no Funding Termination Event shall have occurred and be continuing;

(b) the Facility Termination Date shall not have occurred and will not occur as a result of making such Advance and no default under or breach of the Sale and Servicing Agreement or any other Basic Document exists or will exist;

(c) no later than four (4) Business Days prior to the requested Funding Date, the Note Purchaser shall have received a properly completed Borrowing Base Certificate from the Servicer in the form of EXHIBIT A hereto;

(d) no later than four (4) Business Days prior to the requested Funding Date, the Note Purchaser shall have received a properly completed and executed Advance Request, together with timely receipt of each other item required pursuant to SECTION 2.03 hereof;

(e) the Servicer shall have delivered to the Note Purchaser the Servicer's Certificate for the immediately preceding Accrual Period pursuant to Section 4.9 of the Sale and Servicing Agreement;

(f) such Advance is in an amount not less than $2,000,000;

(g) such Advance shall not be made in the same calendar week as any prior Advance;

(h) after giving effect to such Advance, the Invested Amount of the Notes will not exceed the Maximum Invested Amount;

(i) the representations and warranties made by the Servicer, the Seller, the Purchaser and the Issuer in the Basic Documents are true and correct as of the date of such requested Advance, with the same effect as though made on the date of such Advance, and the Note Purchaser shall have received (I) a certificate from the Servicer and the Seller to such effect with respect to its representations and warranties and that the Servicer and the Seller have complied in all material respects with all agreement and satisfied all conditions on their part to be performed or satisfied at or prior to the related Funding Date, and (II) a certificate from the Issuer and the Purchaser to such effect with respect to its representations and warranties and that the Issuer and the Purchaser have complied in all material respects with all agreement and satisfied all conditions on their part to be performed or satisfied at or prior to the related Funding Date, which certifications, in each case, may be included in the related Advance Request;

(j) the Trustee shall (in accordance with the procedures contemplated in SECTION 3.4 of the Sale and Servicing Agreement) have confirmed receipt of the related Receivable File for each Eligible Receivable included in the Borrowing Base calculation and shall have delivered to the Note Purchaser, with a copy to the Noteholders, (1) a Trust Receipt with respect to the Receivable Files related to the Related Receivables to be purchased on such Funding Date, or (2) if requested by the Note Purchaser, an aggregate Trust Receipt with respect to the Receivable Files for all of the Receivables;

(k) after giving effect to such Advance, there shall be no Borrowing Base Deficiency;

(l) all limitations and conditions specified in SECTION 2.02 of this Agreement and in SECTION 2.1(B) of the Sale and Servicing Agreement shall have been satisfied with respect to the making of such Advance;

(m) after giving effect to such Advance, no Material Adverse Change with respect to CPS or the Issuer shall have occurred and there shall have been no Material Adverse Effect;

(n) neither the Issuer nor the Servicer shall have breached any of its covenants under the Basic Documents in any material respect;

(o) the Issuer shall have provided the Note Purchaser with all other information that the Note Purchaser may reasonably require, if the Note Purchaser shall have given the Issuer reasonable advance notice of such requirements;

(p) all amounts due and owing to the Note Purchaser under this Agreement or any of the other Basic Documents shall have been paid in full;

(q) after giving effect to such Advance and the application of proceeds therefrom, no Default or Event of Default shall have occurred and be continuing on and as of the requested Funding Date; and

(r) on and as of the requested Funding Date, each of the representations and warranties set forth in Section 3.1 of the Sale and Servicing Agreement is true and correct for all Related Receivables being pledged by the Issuer to the Trustee for the benefit of the Noteholders and the Note Purchaser under the Indenture on such date and each Related Receivable is an Eligible Receivable. No such Related Receivable was originated in any jurisdiction in which the Seller is required to be licensed in order to own such Related Receivable unless the Seller has obtained such license prior to owning such Related Receivable. With respect to each such Related Receivable, the applicable Dealer has either been paid or received credit from Seller for all proceeds from the sale of such Related Receivable to the Seller.

The giving of any notice pursuant to SECTION 2.03 shall constitute a representation and warranty by the Issuer and the Servicer that all conditions precedent to such Advance have been satisfied.

ARTICLE VII
COVENANTS

SECTION 7.01 AFFIRMATIVE COVENANTS

Until the Facility Termination Date:

(a) NOTICE OF DEFAULTS, OTHER FUNDING TERMINATION EVENTS, LITIGATION, ADVERSE JUDGMENTS, ETC. CPS or the Issuer, as applicable, shall give notice to Note Purchaser promptly:

(i) upon CPS or the Issuer, as the case may be, becoming aware of, and in any event within three (3) 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;

(ii) upon CPS or the Issuer, as the case may be, becoming aware of, and in any event within three (3) Business Days after, the occurrence of any Funding Termination Event,

(iii) upon, and in any event within three (3) 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 or the Issuer (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, if adversely determined, would cause a Material Adverse Effect;

(iv) upon, and in any event within three (3) Business Days after, CPS or the Issuer, as the case may be, becoming aware of any event or change in circumstances that could have a Material Adverse Effect, constitute a Material Adverse Change or cause an Event of Default; and

(v) upon, and in any event within three (3) 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 or the Issuer, its respective assets or any of the Collateral in an amount in excess of $1,000,000.

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 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 Note Purchaser 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 Servicing 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 other than the Lien created pursuant to the Pledge Agreement.

(e) BORROWING BASE CERTIFICATES. The Issuer shall deliver to the Note Purchaser, together with each Advance Request, a Borrowing Base Certificate in accordance with Section 2.03(a) hereof.

(f) COLLATERAL STATEMENTS. The Issuer will furnish or cause to be furnished to the Note Purchaser from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Note Purchaser 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) ACTIONS TO ENFORCE RIGHTS UNDER CONTRACTS. CPS and the Issuer shall take such reasonable and lawful actions as the Note Purchaser shall request to enforce Note Purchaser'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 Note Purchaser to exercise such rights in Note Purchaser's own name.

(h) HEDGING STRATEGY. The Issuer shall implement and maintain a hedging strategy that is reasonably acceptable to the Note Purchaser; PROVIDED, THAT, for purposes of this subparagraph (h), a hedging strategy consisting of the Seller sponsoring one or more securitizations of pools of Receivables at least every 120 days during the term of the Notes shall be deemed acceptable to the Note Purchaser.

(i) MONTHLY SERVICER'S CERTIFICATE. The Issuer shall, or shall cause the Servicer (so long as CPS is Servicer) to, deliver to Note Purchaser, the Trustee and the Backup Servicer, no later than 12:00 noon, New York City time, on each Determination Date, in a computer-readable format reasonably acceptable to each such Person, a Servicer's Certificate executed by a Responsible Officer or agent of Servicer containing all information required to be included in such Servicer's Certificate under Section 4.9 of the Sale and Servicing Agreement and related monthly data. The Issuer shall, or shall cause the Servicer (so long as the CPS is Servicer) to, deliver to Note Purchaser, the Trustee and the Backup Servicer a hard copy of any such Servicer's Certificate upon request of such Person.

(j) SEPARATE EXISTENCE; NO COMMINGLING. During each Term, 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 Receivables to be pledged to the Trustee for the benefit of the Note Purchaser and the Noteholders pursuant to the Indenture and (ii) to sell, securitize or otherwise liquidate all or any portion of such Receivables in accordance with the provisions of the Basic Documents. In addition, during the Term, 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 Note Purchaser 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 Note Purchaser, 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 Servicing Agreement, 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 Receivables or the Other Conveyed Property. 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 Receivables and the 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 Servicing Agreement and the Indenture, respectively, and CPS and the Issuer will defend the right, title and interest of the Note Purchaser in and to any of the Collateral against the claims and demands of all Persons whomsoever.

(l) BOOKS AND RECORDS; OTHER INFORMATION.

(i) Each of CPS and the Issuer shall maintain accounts and records as to each Receivable accurately and in sufficient detail to permit the reader thereof to know at any time the status of such Receivable, including payments and recoveries made and payments owing (and the nature of each). CPS shall maintain accurate and complete books and records with respect to the Receivables and the Other Conveyed Property 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) CPS and the Issuer shall, and shall cause each of their respective Affiliates to, permit any representative of the Note Purchaser to visit and inspect any of the properties of the Issuer and such Affiliates and to examine the books and records of CPS or 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 or 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 Note Purchaser 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 written notice; provided that, after a Default or Event of Default shall have occurred and be continuing, the Note Purchaser shall make such inspections, examine such documents, make such copies, take such extracts and conduct such discussions at such times as it may determine in its sole discretion during CPS's and the Issuer's normal business hours.

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

(iv) CPS shall maintain its computer systems so that, from and after the time of each sale of Receivables under the Sale and Servicing Agreement to the Issuer, CPS's master computer records (including any back-up archives) that refer to a Receivable shall indicate clearly that such Receivable has been sold by CPS to the Issuer and that such Receivable has been pledged by the Issuer to the Trustee. Indication of the Trustee's interest in such Receivable shall be deleted from or modified on CPS's computer systems when, and only when, the Receivable shall have been released from the Lien of the Indenture in accordance with the terms of the Indenture, and indication of the Issuer's interest in such Receivable shall be deleted from or modified on CPS's computer systems when, and only when, the Receivable shall have been paid in full or repurchased from the Issuer by CPS.

(v) Upon request, CPS shall furnish to the Note Purchaser, within five (5) Business Days, (x) a list of all Receivables (by contract number and name of Obligor) then owned by the Issuer, together with a reconciliation of such list to the Schedule of Receivables, and (y) such other information as the Note Purchaser may reasonably request.

(vi) If at any time CPS shall propose to sell, grant a security interest in, or otherwise transfer any interest in any automobile, van, sport utility vehicle or light duty truck receivables (other than the Receivables) to any prospective purchaser, lender, or other transferee, and if CPS shall give to such prospective purchaser, lender or other transferee computer tapes, records, or print-outs (including any restored from back-up archives, collectively "data records") that refer in any manner whatsoever to any Receivable, such data records shall indicate clearly that such Receivable has been sold by CPS to the Issuer and pledged by the Issuer to Trustee unless such Receivable shall have been released from the Lien of the Indenture in accordance with the terms of the Indenture and shall have been paid in full or repurchased from the Issuer by CPS.

(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 Receivables.

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

(p) FINANCING STATEMENTS. At the request of the Note Purchaser, CPS and the Issuer shall file such financing statements as the Note Purchaser determines may be required by law to perfect, maintain and protect the interest of the Note Purchaser in the Collateral and the proceeds thereof.

(q) PAYMENT OF FEES AND EXPENSES. CPS and the Issuer shall pay to the Note Purchaser, on demand, any and all fees, costs or expenses that the Note Purchaser 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.

(r) FINANCIAL STATEMENTS AND ACCESS TO RECORDS. CPS shall provide the Note Purchaser with quarterly unaudited financial statements within sixty (60) days of the end of each of CPS's first three fiscal quarters, and CPS will provide the Note Purchaser with audited financial statements within one hundred twenty (120) days of each of CPS's fiscal year-end audited by a nationally recognized independent certified public accounting firm. Upon request of the Note Purchaser, CPS shall provide the Note Purchaser with unaudited monthly financial statements. CPS shall deliver to the Note Purchaser 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, Event of Default, Funding Termination Event or Servicer Termination Event. Notwithstanding the foregoing, CPS shall have no obligation to deliver any of the foregoing financial statements to the Note Purchaser for so long as CPS is subject to, and in compliance with, the reporting requirements under Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 Note Purchaser 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, Event of Default, Funding Termination Event or Servicer Termination Event as of such filing date.

(s) LITIGATION MATTERS. CPS shall notify the Note Purchaser in writing, promptly upon its learning thereof, of any litigation, arbitration or administrative proceeding which may reasonably be expected to have a Material Adverse Effect or result in a Material Adverse Change.

(t) NOTICE OF CHANGE OF CHIEF EXECUTIVE OFFICE. CPS and the Issuer shall provide the Note Purchaser 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 Note Purchaser to make any additional filings necessary to continue the Note Purchaser's perfected security interest in the Collateral.

(u) CONSOLIDATED TOTAL ADJUSTED EQUITY. CPS shall maintain minimum Consolidated Total Adjusted Equity of $60,000,000 as of the end of each fiscal quarter.

(v) MAXIMUM LEVERAGE RATIO. CPS shall maintain a maximum leverage ratio (total liabilities less all non-recourse debt/Consolidated Total Adjusted Equity) of less than six times as of the end of each fiscal quarter.

(w) LIQUIDITY. CPS shall maintain cash and cash equivalents of at least $8.5 million as of the end of each calendar month.

(x) DEPOSIT ACCOUNT. All distributions made by the Issuer to CPS in respect of CPS's equity interest in the Issuer shall be deposited directly into the Deposit Account.

SECTION 7.02 NEGATIVE COVENANTS. Until the Facility Termination Date:

(a) ADVERSE TRANSACTIONS. Neither CPS nor the Issuer shall enter into any transaction that adversely affects the Collateral, the Note Purchaser's rights under this Agreement, the Notes or any other Basic Document, the Issuer's interest in the Receivables and the Other Conveyed Property pursuant to the Sale and Servicing Agreement, the Trustee's security interest in the Collateral pursuant to the Indenture, or that could reasonably be expected to result in a Material Adverse Change with respect to the Issuer or CPS or a Material Adverse Event.

(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 (i) to the extent of funds legally available therefor from payments received by the Issuer pursuant to Section 5.7(a) of the Sale and Servicing Agreement, or (ii) pursuant to Section 5.10 of the Sale and Servicing Agreement. Notwithstanding the foregoing, the Issuer shall not declare or pay any dividends on any date as of which a Default or an Event of Default shall have occurred and is continuing.

(d) INVESTMENTS. The Issuer shall not make any investment in any Person through the direct or indirect holding of securities or otherwise, other than in the ordinary course of business or in connection with the future securitization of Receivables.

(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 reasonably be expected to result in a Material Adverse Change with respect to the Issuer or CPS or a Material Adverse Event: (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 would adversely affect the payment or performance of, or the Issuer's ability to pay and/or perform, its obligations to Note Purchaser with respect to this Agreement or any other Basic Document to which it is a party, or the Notes.

(f) ASSET SALES. The Issuer will not sell any Receivables or other Collateral related thereto if, following such sale, the Invested Amount would exceed the Borrowing Base after giving effect to the application of proceeds of such sale; PROVIDED that in the event that the Issuer or CPS shall intend to sell any Receivables in a whole-loan transfer to any third party, the Issuer or CPS shall inform Note Purchaser of such prospective sale and Note Purchaser shall be permitted to bid on such Receivables in the same bidding process as that in which any third party is permitted to bid on such Receivables.

(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 Note Purchaser.

(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 Notes, the Indenture, the Sale and Servicing Agreement and this Agreement, which consent is deemed given with respect to the security interest created by the Pledge Agreement.

(i) NO OTHER BUSINESS. The Issuer will not at any time engage in any other business activities than the purchase of the Receivables and the Other Conveyed Property, pledging the Receivables and the other Collateral to the Trustee under the Indenture, transferring the Receivables and the Other Conveyed Property in connection with securitizations and in connection with whole-loan 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 hereof, or as amended with the prior written consent of the Note Purchaser. 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 Note Purchaser.

(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, neither the Servicer nor the Seller will, 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 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 Servicer, 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 Note Purchaser at least 30 days' prior written notice thereof and shall have promptly filed appropriate amendments to all previously filed financing statements or continuation statements.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

SECTION 8.01 AMENDMENTS. No amendment to or waiver of any provision of this Agreement, nor consent to any departure by CPS, the Issuer or the Note Purchaser therefrom, shall in any event be effective unless the same shall be in writing and signed by CPS, the Issuer and the Note Purchaser.

SECTION 8.02 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 8.03 BINDING ON SUCCESSORS AND ASSIGNS.

(a) This Agreement shall be binding upon, and inure to the benefit of, the Issuer, the Purchaser, the Seller, the Servicer, the Note Purchaser and their respective successors and assigns; PROVIDED, HOWEVER, that none of the Issuer, the Purchaser, the Seller or the Servicer 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 Note Purchaser. 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.

(b) The Note Purchaser may at any time grant a security interest in and Lien on all of its interests under this Agreement, the Notes and all Basic Documents to any Person who, at any time now or in the future, provides program liquidity or credit enhancement, including without limitation, a surety bond or financial guaranty insurance policy for the benefit of the Note Purchaser. The Note Purchaser may assign its Commitment or all of its interest under the Notes, this Agreement and the Basic Documents to (i) any Affiliate of the Note Purchaser at any time (ii) to any other Person at any time that a Default has occurred and is continuing and (iii) at any other time with the prior written consent of the Issuer. Notwithstanding the foregoing, it is understood and agreed by the Issuer that the Notes may be sold, transferred or pledged without the consent of the Issuer in compliance with, and as provided for under, SECTION 5.03(G). Notwithstanding any other provisions set forth in this Agreement, the Note Purchaser may at any time create a security interest in all of its rights under this Agreement, the Notes and the Basic Documents in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

(c) If, on or after the date of this Agreement, the Note Purchaser reasonably determines that the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Note Purchaser with any request or directive issued on or after the date of this Agreement (whether or not having the force of law) of any such authority, central bank or comparable agency, has made or would be likely to make it unlawful for the Note Purchaser to purchase the Advances, hold the Notes or otherwise to perform the transactions contemplated to be performed by it pursuant to this Agreement and those contemplated to be performed by it pursuant to the Basic Documents to which the Note Purchaser is a party, then (i) the Note Purchaser shall so notify the Issuer; (ii) the obligation of the Note Purchaser to purchase Advances from time to time as contemplated hereunder shall be suspended; and (iii) the Note Purchaser may assign its rights and obligations hereunder and under the Basic Documents, the Notes and its interests therein pursuant to Section 8.03(b); provided that a Funding Termination Event shall occur if the Issuer or the Servicer fails to accept the proposed assignee chosen by the Note Purchaser.

SECTION 8.04 TERMINATION; SURVIVAL. The obligations and responsibilities of the Note Purchaser created hereby shall terminate on the Termination Date. Notwithstanding the foregoing, all covenants, agreements, representations, warranties and indemnities made by the Servicer, the Seller, the Purchaser and/or the Issuer herein and/or in the Notes delivered pursuant hereto shall survive the purchase and the repayment of the Advances and 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 other 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 under SECTIONS 3.02, 3.03, 3.04, 8.05, 8.11, 8.12 and 8.13 shall survive the termination of this Agreement.

SECTION 8.05 INDEMNIFICATION. In consideration of the execution and delivery of this Agreement by the Note Purchaser, the Issuer and the Servicer, jointly and severally, hereby indemnify and hold the Note Purchaser and each of its officers, directors, employees and agents (collectively, the "INDEMNIFIED PARTIES") harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and reasonable expenses incurred in connection therewith, as incurred (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) 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 Receivable constituting part of the Collateral), directly or indirectly, with the proceeds of any Advance 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 by any Person; or

(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,

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, bad faith or willful misconduct and, with respect to the Servicer, excluding any Indemnified Liabilities that would constitute recourse to the Servicer for loss by reason of the bankruptcy, insolvency (or other credit condition) of, or credit-related default by the related Obligor on any Receivable and not arising from defaults by the related Obligor arising from a claim by the related Obligor that any part of the debt evidenced by the Receivables is not due as a result of wrongful action by any Person, such as a breach of Consumer Laws. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Issuer and the Servicer 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 8.05 shall in no event include indemnification for any Taxes (which indemnification is provided in SECTION 3.04). Upon the written request of the Note Purchaser pursuant to this Section 8.05, the Issuer and the Servicer shall promptly reimburse the Note Purchaser for the amount of any such Indemnified Liabilities incurred by the Note Purchaser.

SECTION 8.06 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 Servicing Agreement, 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 8.07 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 facsimile number set forth below its signature hereto or at such other address or facsimile number 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; any notice, if transmitted by facsimile, shall be deemed given when transmitted and accompanied by telephonic confirmation of receipt.

SECTION 8.08 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 8.09 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 8.10 FULL RECOURSE TO ISSUER. The obligations of the Issuer under this Agreement and the other Basic Documents shall be full recourse obligations of the Issuer. Notwithstanding the foregoing, 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 8.10 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, the Seller or the Servicer hereunder or under any other Basic Document, which obligations are full recourse obligations of the Issuer, the Purchaser, the Seller and the Servicer, respectively.

SECTION 8.11 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 8.12 SUBMISSION TO JURISDICTION. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF

THOSE COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, OR ANY LEGAL PROCESS WITH RESPECT TO ITSELF OR ANY OF ITS PROPERTY, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

SECTION 8.13 WAIVER OF JURY TRIAL. THE PARTIES HERETO EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY PARTY AGAINST THE OTHER PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THE PARTIES HERETO EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

SECTION 8.14 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. Any signature page to this Agreement 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 8.15 SET-OFF. The obligations of the Issuer, the Purchaser, the Seller and the Servicer hereunder are absolute and unconditional and each of the Issuer, the Purchaser, the Seller and the Servicer expressly waives any and all rights of set-off, abatement, diminution or deduction that the Issuer, the Purchaser, the Seller or the Servicer may otherwise at any time have under applicable law.

(b) 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 hereunder:

(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; and

(ii) the Note Purchaser is hereby authorized at any time and from time to time, without notice to the Seller or the Servicer, such notice being hereby expressly waived, to set-off any obligation owing by the Note Purchaser or any of its Affiliates to the Seller or the Servicer, or against any funds or other property of the Seller or the Servicer held by or otherwise in the possession of the Note Purchaser or any of its Affiliates, the respective obligations of the Seller and the Servicer 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.

SECTION 8.16 NONPETITION COVENANTS. Notwithstanding any prior termination of this Agreement, the Servicer and 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 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 8.17 SERVICER REFERENCES. All references to the Servicer herein shall apply to CPS, in its capacity as the initial Servicer, and not to a successor Servicer.

SECTION 8.18 CONFIDENTIALITY; PRESS RELEASES. Unless required by law or regulation to do so, neither the Note Purchaser on the one hand, nor any of the Seller, the Servicer, the Purchaser or the Issuer on the other hand, shall publish or otherwise disclose any information relating to the material terms of the Commitment, any of the Basic Documents or the transactions contemplated hereby or thereby to any Person (other than its own advisors to the extent reasonably necessary) without the prior written consent of the other; provided that nothing herein shall be construed to prohibit any party from issuing a press release announcing the consummation of the transactions contemplated by the Basic Documents. Any party hereto issuing any such press release hereby agrees to provide the other parties hereto with a reasonable opportunity to review and comment on such press release prior to the issuance thereof. No party shall publish any press release naming the other party to which such other parties shall have reasonably objected. For avoidance of doubt, it is agreed that Seller is required by law (i) to report its entry into this Agreement and the other Basic Documents in a current report on Form 8-K of the Securities and Exchange Commission, which report must file as exhibits at least this Agreement, the Sale and Servicing Agreement, and the Indenture, and (ii) to make reference to such agreements and the Commitment in its periodic reports to be filed respecting time periods that include all or part of the Term. This confidentiality agreement shall apply to any and all information relating to the Commitment, any of the Basic Documents and the transactions contemplated hereby and thereby at any time on or after the date hereof.

[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.

PAGE THREE FUNDING LLC

By:_____
Name:_____
Title:_____

Address: 16355 Laguna Canyon Road
Irvine, California 92618
Attention: Company Secretary
Telephone: 949-753-6800
Facsimile: 949-753-6897

CONSUMER PORTFOLIO SERVICES, INC.

By:_____
Name:_____
Title:_____

Address: 16355 Laguna Canyon Road
Irvine, California 92618
Attention: Corporate Secretary
Telephone: (949) 785-6691
Facsimile: (888) 577-7923

BEAR, STEARNS INTERNATIONAL LIMITED,
AS NOTE PURCHASER

By:_____
Name:_____
Title:_____

By:_____
Name:_____
Title:_____

Bear, Stearns & Co. Inc.,
as agent for Bear, Stearns International Limited
383 Madison Ave., 10th Floor
Attention: Clark MacKenzie
New York, New York 10179

Telephone: 212-272-4076
Facsimile: 917-849-1151

w/ a copy to:

Bear, Stearns & Co. Inc.,
as agent for Bear, Stearns International Limited
383 Madison Ave., 10th Floor
Attention: General Counsel
New York, New York 10179

Telephone: 212-272-7850
Facsimile: 917-849-1072

EXHIBIT 14

CONSUMER PORTFOLIO SERVICES, INC.

CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS

PREFACE

Senior Financial Officers fill an important role in corporate governance. As part of the corporate leadership of Consumer Portfolio Services, Inc. (the "Company"), Senior Financial Officers have both the responsibility and authority to protect, balance, and preserve the interests of all with a stake in the Company, including its shareholders, clients, employees, suppliers, and citizens of the communities in which its business is conducted. Senior Financial Officers fulfill this responsibility by prescribing and implementing the policies and procedures employed in the operation of the Company's financial organization, and by demonstrating the following:

I. HONEST AND ETHICAL CONDUCT

Senior Financial Officers will exhibit and promote the highest standards of honest and ethical conduct through the establishment and operation of policies and procedures that:

- Encourage and reward professional integrity in all aspects of the financial organization, by eliminating inhibitions and barriers to responsible behavior, such as coercion, fear of reprisal, or alienation from the financial organization or the Company itself.
- Prohibit and eliminate the appearance or occurrence of conflicts between what is in the best interest of the Company and what could result in material personal gain for a member of the financial organization, including Senior Financial Officers.
- Provide a mechanism for members of the financial organization to inform senior management of deviations in practice from policies and procedures governing honest and ethical behavior.
- Demonstrate their personal support for such policies and procedures through periodic communication reinforcing these ethical standards throughout the financial organization.

II. FINANCIAL RECORDS AND PERIODIC REPORTS

Senior Financial Officers will establish and manage the Company's transaction and reporting systems and procedures to ensure that:

- Business transactions are properly authorized and completely and accurately recorded on the Company's books and records in accordance with Generally Accepted Accounting Principles (GAAP) and established Company financial policy.

- The retention or proper disposal of Company records shall be in accordance with established internal financial policies and applicable legal and regulatory requirements.
- Periodic financial communications and reports will be delivered in a manner that facilitates the highest degree of clarity of content and meaning so that readers and users will quickly and accurately determine their significance and consequence.

III. COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS

Senior Financial Officers will establish and maintain mechanisms to:

- Educate members of the financial organization about any federal, state or local statute, regulation or administrative procedure that affects the operation of the financial organization and the Company generally.
- Monitor the compliance of the financial organization with any applicable federal, state or local statute, regulation or administrative rule
- Identify, report and correct in a swift and certain manner, any detected deviations from applicable federal, state or local statute or regulation.

EXHIBIT 21

Subsidiaries of the Registrant

The following corporations and limited liabilities are direct or indirect subsidiaries of the registrant. Each does business under its own name, except that The Finance Company also does business under the name Old Dominion Acceptance, Inc.

Name	State or other jurisdiction of incorporation or organization
CPS Leasing, Inc.	DE
CPS Marketing, Inc.	CA
CPS Receivables Corp.	CA
CPS Receivables Two Corp.	DE
CPS 123 Corp.	DE
MFN Financial Corporation	DE
TFC Enterprises, Inc.	DE
CPS Receivables Two Corp.	DE
CPS Residual Corp.	DE
71270 Corp.	DE
Page Funding LLC	DE
Pacific Coast Receivables Corp.	DE
Page Three Funding LLC	DE
Canyon Receivables Corp.	DE
Mercury Finance Corporation of Alabama	AL
Mercury Finance Company of Arizona	AZ
Mercury Finance Company of Colorado	DE
Mercury Finance Company of Delaware	DE
Mercury Finance Company of Florida	DE
Mercury Finance Company of Georgia	DE
Mercury Finance Company of Illinois	DE
Mercury Finance Company of Indiana	DE
Mercury Finance Company of Kentucky	DE
Mercury Finance Company of Louisiana	DE
Mercury Finance Company of Michigan	DE
Mercury Finance Company of Mississippi	DE
Mercury Finance Company of Missouri	MO
Mercury Finance Company of Nevada	NV
Mercury Finance Company of New York	DE
Mercury Finance Company of North Carolina	DE
Mercury Finance Company of Ohio	DE
MFC Finance Company of Oklahoma	DE
Mercury Finance Company of Pennsylvania	DE
Mercury Finance Company of South Carolina	DE
Mercury Finance Company of Tennessee	TN
MFC Finance Company of Texas	DE
Mercury Finance Company of Virginia	DE
Mercury Finance Company of Wisconsin	DE
Gulfco Investment, Inc.	LA
Gulfco Finance Company	LA
Midland Finance Co.	IL

MFN Insurance Company	Turks and Caicos
Mercury Finance Company LLC	DE
The Finance Company	VA
Recoveries, Inc.	VA
PC Acceptance.com, Inc.	VA
The Insurance Agency, Inc.	DE
TFC Receivables Corporation V	DE
TFC Receivables Corporation VI	DE
TFC Receivables Corporation VII	DE

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

Consumer Portfolio Services, Inc:

We consent to the incorporation by reference in the Registration Statements (Nos. 333-58199, 333-35758, 333-75594 and 333-115622) of Consumer Portfolio Services, Inc. on Form S-8 of Consumer Portfolio Services, Inc., of our report dated February 24, 2006, appearing in the Annual Report on Form 10-K of Consumer Portfolio Services, Inc. for the year ended December 31, 2005.

/s/ MCGLADREY & PULLEN LLP

Irvine, California

March 9, 2006

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

Consumer Portfolio Services, Inc:

We consent to the incorporation by reference in the registration statements (Nos. 333-58199, 333-35758, 333-75594 and 333-115622) on Form S-8 of Consumer Portfolio Services, Inc., of our report dated March 15, 2004, with respect to the consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows of Consumer Portfolio Services, Inc. for the year ended December 31, 2003, which report appears in the December 31, 2005, annual report on Form 10-K of Consumer Portfolio Services, Inc.

/s/ KPMG LLP

Orange County, California

March 9, 2006

EXHIBIT 31.1

CERTIFICATION

I, Charles E. Bradley, Jr., certify that:

1. I have reviewed this annual report on Form 10-K 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 periods presented in this report;

4. The registrant's other certifying officer 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)) 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) 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

(c) 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 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 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.

March 10, 2006

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

Charles E. Bradley, Jr.
PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXHIBIT 31.2

CERTIFICATION

I, Robert E. Riedl, certify that:

1. I have reviewed this annual report on Form 10-K 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 periods presented in this report;

4. The registrant's other certifying officer 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)) 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) 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

(c) 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 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 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.

March 10, 2006

By: /s/ Robert E. Riedl

Robert E. Riedl, CHIEF FINANCIAL OFFICER

EXHIBIT 32

CERTIFICATION

Each of the undersigned hereby certifies, for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, in his capacity as an officer of Consumer Portfolio Services, Inc., that, to his knowledge, the Annual Report of Consumer Portfolio Services, Inc. on Form 10-K for the year ended December 31, 2005, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Consumer Portfolio Services, Inc.

March 10, 2006 By: /s/ Charles E. Bradley, Jr.

Charles E. Bradley, Jr.
PRESIDENT AND CHIEF EXECUTIVE OFFICER

March 10, 2006 By: /s/ Robert E. Riedl

Robert E. Riedl, CHIEF FINANCIAL OFFICER