

CONSUMER PORTFOLIO SERVICES INC
Form 10-K/A
May 01, 2006

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

FORM 10-K/A
AMENDMENT NO. 1

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 (I.R.S. Employer Identification No.)
incorporation or organization)

16355 LAGUNA CANYON ROAD, IRVINE, CALIFORNIA 92618
(Address of principal executive offices) (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]

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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 13,659,740 shares of the registrant's common stock presently 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 \$62,151,817. 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 April 26, 2006, was 21,857,833.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

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Preliminary Note -- This amendment is filed May 1, 2006 to include information required by Part III of this report on Form 10-K. Other than with respect to Part III, the information previously filed as Parts I, II and IV of this report is not changed by this amendment.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding executive officers of the Company appears in Part I of this report, under the caption "Executive Officers of the Registrant," and is incorporated herein by this reference. Information regarding the directors of the Company appears below:

CHARLES E. BRADLEY, JR., 46, has been the President and a director of the Company since its formation in March 1991, and was elected Chairman of the Board of Directors in July 2001. In January 1992, Mr. Bradley was appointed Chief Executive Officer of the Company. From April 1989 to November 1990, he served as Chief Operating Officer of Barnard and Company, a private investment firm. From September 1987 to March 1989, Mr. Bradley, Jr. was an associate of The Harding Group, a private investment banking firm. Mr. Bradley does not currently serve on the board of directors of any other publicly-traded companies.

E. BRUCE FREDRIKSON, 68, has been a director of the Company since March 2003. He is a Professor of Finance, Emeritus, at Syracuse University's Martin J. Whitman School of Management, where he taught from 1966 to 2003. Mr. Fredrikson has published numerous papers on accounting and finance topics. He is also a director of Track Data Corporation and Colonial Commercial Corp.

JOHN E. MCCONNAUGHY, JR., 76, has been a director of the Company since 2001. He is the Chairman and Chief Executive Officer of JEMC Corporation, which is a personal holding company he formed in 1985. From 1981 to 1992 he was the Chairman and Chief Executive Officer of GEO International Corp, a company in the business of nondestructive testing, screen-printing and oil field services. Mr. McConnaughy was previously and concurrently Chairman and Chief Executive Officer of Peabody International Corp., from 1969 to 1986. He currently serves as a director of Levcor International, Inc., Wave Systems, Inc., Overhill Farms, Inc., Allis Chalmers Corp. and Arrow Resources Development Ltd. Mr. McConnaughy is also Chairman of the Board of Trustees of the Strang Clinic and is the

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Chairman Emeritus of the Board of the Harlem School of the Arts.

JOHN G. POOLE, 63, has been a director of the Company since November 1993 and its Vice Chairman since January 1996. He is now a private investor, having previously been a director and Vice President of Stanwich Partners ("SPI") until July 2001. SPI, which Mr. Poole co-founded in 1982, acquired controlling interests in companies in conjunction with their existing management. Mr. Poole is also a director of Reunion Industries, Inc.

WILLIAM B. ROBERTS, 68, has been a director of the Company since its formation in March 1991. Since 1981, he has been the President of Monmouth Capital Corp., an investment firm that specializes in management buyouts.

JOHN C. WARNER, 58, was elected as a director of the Company in April 2003. Mr. Warner was chief executive officer of O'Neill Clothing, a manufacturer and marketer of apparel and accessories from 1996 until his retirement in May 2005.

DANIEL S. WOOD, 47, has been a director of the Company since July 2001. Mr. Wood is president of Carclo Technical Plastics, a manufacturer of custom injection moldings. Previously, from 1988 to September 2000, he was the chief operating officer and co-owner of Carrera Corporation.

The Board of Directors has established an Audit Committee and a Compensation and Stock Option Committee. The members of the Audit Committee are E. Bruce Fredrikson (chairman), John E. McConnaughy, Jr. and John G. Poole. The Audit Committee is empowered by the Board of Directors to review the financial books and records of the Company in consultation with the Company's accounting and auditing staff and its independent auditors and to review with the accounting staff and independent auditors any questions raised with respect to accounting and auditing policy and procedure. The Audit Committee operates under a written charter, adopted by the Board of Directors of the Company.

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The members of the Compensation and Stock Option Committee are Daniel S. Wood (chairman), John E. McConnaughy, Jr. and William B. Roberts. This Committee makes determinations as to general levels of compensation for all employees of the Company, the annual salary of each of the executive officers of the Company, authorizes the grants of options to employees under the Company's 1997 Long-Term Stock Incentive Plan, and reviews and approves compensation and benefit plans of the Company.

The Board of Directors has concluded that each member of the Audit Committee is independent in accordance with the director independence standards prescribed by Nasdaq, and has determined that none of them have a material relationship with the Company which would impair the independence from management or otherwise compromise the ability to act as an independent director. The Board of Directors has further determined that Mr. Fredrikson has the qualifications and experience necessary to serve as an "audit committee financial expert" as such term is defined in Item 401(h) of Regulation S-K promulgated by the SEC. Such qualifications and experience are described above in this section.

The Company does not have a Nominating Committee. Nominations for board positions are considered by the members of the Board of Directors who are "independent directors." The Company's independent directors are Messrs. Fredrikson, McConnaughy, Poole, Roberts, Warner and Wood. The Board of Directors believes that it is appropriate for the Company not to have a Nominating Committee primarily because there have to date been no significant differences of opinion expressed among the whole board of directors regarding nominations.

When considering a potential nominee, the independent directors consider the

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benefits to the Company of such nomination, based on the nominee's skills and experience related to managing a significant business, the willingness and ability of the nominee to serve, and the nominee's character and reputation. It is the policy of the Board of Directors to consider for nomination individuals suggested by shareholders, should such recommendations be received. Shareholders who wish to suggest individuals for possible future consideration for board positions, or to otherwise communicate with the Board of Directors, should direct written correspondence to the Board of Directors at the Company's principal executive offices. The present policy of the Company is to forward all such correspondence to the members of the Board of Directors.

SECTION 16 (a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Directors, executive officers and holders of in excess of 10% of the Company's common stock are required to file reports concerning their transactions in and holdings of equity securities of the Company. Based on a review of reports filed by each such person, and inquiry of each regarding holdings and transactions, the Company believes that all reports required with respect to the year 2005 were timely filed, except that Mr. Poole filed two reports late, relating to one transaction each.

CODE OF ETHICS

The Company has adopted a Code of Ethics for Senior Financial Officers. A copy of the Code of Ethics may be obtained at no charge by written request to the Corporate Secretary at the Company's principal executive offices.

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ITEM 11. EXECUTIVE COMPENSATION

The following table summarizes all compensation earned during the three fiscal years ended December 31, 2005, 2004, and 2003 by the Company's chief executive officer and by the four most highly compensated individuals (such five individuals, the "named executive officers") who were serving as executive officers at December 31, 2005.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Compensation for period shown		Long Term Compensation Awards (1) Options/SARs
		Salary (\$)	Bonus (\$)	
CHARLES E. BRADLEY, JR. President & Chief Executive Officer	2005	735,000	1,000,000	160,000
	2004	700,000	700,000	240,000
	2003	650,000	650,000	40,000
CURTIS K. POWELL Sr. Vice President - Originations & Marketing	2005	270,000	208,000	40,000
	2004	252,000	177,000	20,000
	2003	238,000	186,000	20,000
ROBERT E. RIEDL Sr. Vice President - Finance & Chief Investment Officer (3)	2005	255,000	209,000	60,000
	2004	240,000	144,000	80,000
	2003	200,000	158,000	95,000
JEFFREY P. FRITZ Sr. Vice President - Accounting	2005	240,000	197,000	80,000
	2004	87,500	70,000	80,000

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& Chief Financial Officer (4)	2003	---	---	---
CHRIS TERRY	2005	203,000	191,000	66,000
Sr. Vice President -	2004	162,000	125,000	20,000
Asset Recovery	2003	135,000	117,000	50,000

- (1) Number of shares that might be purchased upon exercise of options that were granted in the period shown.
- (2) Amounts in this column represent (a) any Company contributions to the Employee Savings Plan (401(k) Plan), and (b) premiums paid by the Company for group life insurance, as applicable to the named executive officers. Company contributions to the 401(k) Plan were \$1000 per individual in 2003, 2004 and 2005.
- (3) Mr. Riedl became an executive officer in January 2003, was chief financial officer from August 2003 to April 2006, and was named chief investment officer in April 2006.
- (4) Mr. Fritz became an executive officer in August 2004, and was named chief financial officer in April 2006. The amount shown under "All other compensation" includes \$59,782 paid to him for consulting services provided in 2004 prior to his becoming an employee and officer of the Company.

OPTION AND SAR GRANTS

The Company in the year ended December 31, 2005, did not grant any stock appreciation rights to any of the named executive officers. The Company has from time to time granted options to substantially all of its management and marketing employees, and did so in May and December 2005. Under the May grant, Messrs. Powell and Terry each received grants with respect to 20,000 shares, Mr. Bradley received a grant with respect to 120,000 shares, Mr. Riedl received a grant with respect to 40,000 shares, and Mr. Fritz received a grant with respect to 80,000 shares. All such options were to become exercisable in five equal annual increments and are exercisable at \$5.04 per share, except for the grant of 120,000 shares to Mr. Bradley, which was immediately exercisable as to 80,000 shares and was to become exercisable as to the remaining 40,000 shares in five equal annual increments. As previously reported on January 5, 2006, the Compensation Committee of the Board of Directors on December 29, 2005 approved accelerated vesting of all stock options outstanding as of December 30, 2005, to the extent not then exercisable. These options were previously awarded to officers and to other employees under the Company's 1997 Long-Term Incentive Plan, and its 1991 Stock Option Plan. The decision to accelerate the vesting of the options, which the Company believes is in the best interests of its shareholders, was made primarily to reduce a non-cash compensation expense that would have been recorded in its income statement in future periods upon the adoption of the Financial Accounting Standards Board Statement No. 123R (Share-Based Payment) effective January 1, 2006. Simultaneously with that amendment, the Compensation Committee elected to grant in December 2005 the stock options grants that would otherwise have been awarded in 2006. Under that December grant, each named executive officer, other than Mr. Bradley and Mr. Terry, received grants with respect to 20,000 shares. Mr. Bradley received a grant with respect to 40,000 shares and Mr. Terry received a grant with respect to 46,000 shares. All such options are exercisable at \$6.00 per share, and have been exercisable in full since the date of grant.

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OPTIONS/GRANTS IN LAST FISCAL YEAR - INDIVIDUAL GRANTS

Name	Number of Shares Underlying Options Granted	Percent of Total Options Granted to Employees in 2005	Exercise or Base Price (\$/Share)	Expiration Date	Potentia Assu of Stock 5% (\$
Charles E. Bradley, Jr.	120,000	6.96%	\$5.04	04/29/15	\$341,
Charles E. Bradley, Jr.	40,000	2.32%	\$6.00	12/30/15	\$134,
Curtis K. Powell	20,000	1.16%	\$5.04	04/29/15	\$56,
Curtis K. Powell	20,000	1.16%	\$6.00	12/30/15	\$67,
Robert E. Riedl	40,000	2.32%	\$5.04	04/29/15	\$113,
Robert E. Riedl	20,000	1.16%	\$6.00	12/30/15	\$67,
Jeffrey P. Fritz	80,000	4.64%	\$5.04	04/29/15	\$227,
Jeffrey P. Fritz	20,000	1.16%	\$6.00	12/30/15	\$67,
Chris Terry	20,000	1.16%	\$5.04	04/29/15	\$56,
Chris Terry	46,000	2.67%	\$6.00	12/30/15	\$154,

- (1) Was to become exercisable as to 80,000 shares on May 16, 2005, and as to 40,000 shares in five equal installments on each April 29, 2006-2010. As of December 30, 2005, all outstanding options to the extent not yet exercisable were amended to be exercised in full.
- (2) Was to become exercisable in five equal installments on each April 29, 2006-2010. As of December 30, 2005, all outstanding options to the extent not yet exercisable were amended to be exercised in full.
- (3) Became fully vested on date of grant.

AGGREGATED OPTION EXERCISES AND FISCAL YEAR END OPTION VALUE TABLE

The following table sets forth, as of December 31, 2005, and for the year then ended, the number of unexercised options held by each of the named executive officers, the number of shares subject to then exercisable and unexercisable options held by such persons and the value of all unexercised options held by such persons. Each option referred to in the table was granted under the Company's 1991 Stock Option Plan or under the 1997 Long-Term Incentive Stock Plan, at an option price per share no less than the fair market value per share on the date of grant.

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Name	Shares		Number of Unexercised		Value* Optio Exer
	Acquired On Exercise	Value Realized	Options at December 31, 2005 Exercisable	Unexercisable	
Charles E. Bradley, Jr.	11,100	\$47,897	1,136,099	0	\$3,
Curtis K. Powell	0	\$0	145,000	0	
Robert E. Riedl	0	\$0	235,000	0	
Jeffrey P. Fritz	0	\$0	180,000	0	
Chris Terry	0	\$0	178,500	0	

* Valuation based on the last sales price on December 31, 2005 of

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\$5.748 per share, as reported by Nasdaq.

BONUS PLAN

The named executive officers and other officers participate in a management bonus plan, pursuant to which such employees are entitled to earn cash bonuses, if the Company achieves certain net income levels or goals established by the Board of Directors, and if such employees achieve certain individual objectives. The amount of bonus payable to each officer is determined by the Compensation Committee of the Board of Directors.

DIRECTOR COMPENSATION

During the year ended December 31, 2005, the Company paid all directors, excluding Mr. Bradley, a retainer of \$2,500 per month and an additional fee of \$1,000 PER DIEM for attendance at meetings of the board. The two directors who chair the Audit Committee and the Compensation Committee receive an additional monthly retainer of \$500. Mr. Bradley received no additional compensation for his service as a director. Pursuant to the Company's policy that is applicable to all of its non-employee members, the Board on April 20, 2005, issued options with respect to 10,000 shares to each non-employee director. All such options are exercisable at \$5.04 per share, the exercise price being the market price prevailing at date of grant. On December 29, 2005, the Compensation Committee of the Board of Directors also authorized issuance of additional options with respect to 10,000 shares to each non-employee director. All such options are exercisable at \$6.00 per share, somewhat above the \$5.75 per share price prevailing on the date of grant. The Compensation Committee further resolved that such December 29 grants would be in place of any options that would otherwise be granted to directors in 2006.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation and Stock Option Committee throughout the fiscal year ended December 31, 2005 were Daniel S. Wood (chairman), John E. McConnaughy, Jr. and William B. Roberts. This Committee makes determinations as to general levels of compensation for all employees of the Company, the annual salary of each of the executive officers of the Company, authorizes the grants of options to employees under the Company's 1997 Long-Term Stock Incentive Plan, and reviews and approves compensation and benefit plans of the Company. None of the members of the committee is or has been an officer or employee of the Company or any of its subsidiaries.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number and percentage of shares of CPS Common Stock (its only class of voting securities) owned beneficially as of April 28, 2006, by (i) each person known to CPS to own beneficially more than 5% of the outstanding Common Stock, (ii) each director, nominee or named executive officer of CPS, and (iii) all directors, nominees and executive officers of CPS as a group. Except as otherwise indicated, and subject to applicable community property and similar laws, each of the persons named has sole voting and investment power with respect to the shares shown as beneficially owned by such persons. The address of Messrs. Bradley, Fritz, Powell, Riedl and Terry is c/o Consumer Portfolio Services, Inc., 16355 Laguna Canyon Road, Irvine, CA 92618.

Name and Address of Beneficial Owner

Amount an

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Beneficial

Charles E. Bradley, Jr.	3,
E. Bruce Fredrikson, 34437 N. 93rd Place, Scottsdale, AZ 85262.....	
John E. McConnaughy, Jr., Atlantic Capital Partners, 3 Parkland Drive, Darien, CT 06820.....	
John G. Poole, 1 Rye Road, Port Chester, NY 10573.....	
William B. Roberts, Monmouth Capital Corp., 126 East 56th Street, New York, NY 10022.....	
John C. Warner, 17 Pasteur, Irvine, CA 92618.....	
Daniel S. Wood, 600 Depot St., Latrobe, PA 05650.....	
Jeffrey P. Fritz.....	
Curtis K. Powell.....	
Robert E. Riedl.....	
Chris Terry.....	
All directors, nominees and executive officers combined (12 persons)	6,
Levine Leichtman Capital Partners II, L.P., 335 North Maple Drive, Suite 240, Beverly Hills, CA 90210.....	3,
LG Capital Master Fund, c/o Lampe Conway & Co LLC, 730 Fifth Avenue Suite 1002, New York NY 10019.....	1,

- (1) Includes certain shares that may be acquired within 60 days after April 28, 2006 from the Company upon exercise of options, as follows: Mr. Bradley, Jr., 1,136,099 shares; Mr. Fredrikson, 60,000 shares, Mr. McConnaughy, 10,000 shares; Mr. Poole, 30,000 shares; Mr. Roberts, 30,000 shares; Mr. Warner, 60,000 shares, Mr. Wood, 40,000 shares; Mr. Fritz, 180,000 shares; Mr. Powell, 125,000 shares; Mr. Riedl, 235,000 shares; and Mr. Terry, 178,500 shares. The calculation of beneficial ownership also includes, in the case of the executive officers, an approximate number of shares each executive officer could be deemed to hold through contributions made to the Company's Employee 401(k) Plan (the "401(k) Plan"). The 401(k) Plan provides an option for all participating employees to indirectly purchase stock in the Company through buying units in a mutual fund. Each "unit" in the mutual fund represents an interest in Company stock, cash and cash equivalents.
- (2) Includes 495,540 shares held by trusts of which Mr. Bradley is the co-trustee, and as to which shares Mr. Bradley has shared voting and investment power. The co-trustee, who has shared voting and investment power as to all such shares (representing 2.27% of outstanding shares), is Kimball Bradley, whose address is 11 Stanwix Street, Pittsburgh, PA 15222.
- (3) Includes 2,219,599 shares that may be acquired within 60 days after May 1, 2006, upon exercise of options and conversion of convertible securities.
- (4) Comprises 3,987,558 issued shares and 1,000 shares that are issuable upon exercise of an outstanding warrant.

The table below presents information regarding securities authorized for issuance under equity compensation plans.

NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF	WEIGHTED-AVERAGE EXERCISE PRICE OF
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PLAN

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PLAN CATEGORY	OUTSTANDING OPTIONS	OUTSTANDING OPTIONS	REFL
Plans approved by stockholders	4,863,654	\$ 3.38	
Plans not approved by stockholders	None	N/A	
Total	4,863,654	\$ 3.38	

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

LEVINE LEICHTMAN. At December 31, 2003, the Company was indebted to Levine Leichtman Capital Partners II, L.P. ("LLCP") in the amount of approximately \$50 million. Such debt comprised three parts, represented by the "Term B Note," "Term C Note" and "Term D Note," respectively. The Term B Note was due January 2004, the Term C Note repayment schedule was based on the performance of one of the Company's securitized pools, and the Term D Note was due January 2004.

In January 2004, the Company repaid in full the Term C Note and repaid \$10.0 million of the Term D Note. In addition, the maturities of the Term B Note 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 LLC 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 LLC 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 LLC. 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.

On December 13, 2005, the Company agreed with LLC to extend the maturity date of the Term D Note. The Company's debt to LLC comprised four pieces, with different maturity dates. The following table sets forth the principal amount of each piece of such debt as of December 13, 2005, and the maturity date before and after the December 13 amendment:

Term Note	Principal amount	Date due prior to amendment	Date due after amendment
Term B Note	\$19,828,527	December 15, 2005	December 15, 2005
Term D Note	15,000,000	December 15, 2005	December 18, 2006
Term E Note	15,000,000	May 27, 2006	May 27, 2006
Term F Note	10,000,000	June 24, 2006	June 24, 2006

The Company agreed to pay LLC a modification fee in the amount of \$600,000; however, if the extended debt is paid on or prior to June 14, 2006, then the modification fee is reduced to \$150,000 (which portion was paid in December 2005). The Term B Note, due December 15, 2005, was paid on that date.

All of the Company's indebtedness to LLC is secured by a blanket security interest in favor of LLC. The terms of the transactions between the Company and

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LLCP were determined by negotiation.

CPS LEASING. The Company holds 80% of the outstanding shares of the capital stock of CPS Leasing, Inc. ("CPSL"). The remaining 20% of CPSL is held by Charles E. Bradley, Jr., who is the President and a director of the Company. CPSL engaged in the equipment leasing business, and is currently in the process of liquidation as its leases come to term. CPSL financed its purchases of the equipment that it leases to others through either of two lines of credit. Amounts borrowed by CPSL under one of those two lines of credit have been guaranteed by the Company. As of December 31, 2005 both lines of credit have been paid. The Company has also financed the operations of CPSL by making operating advances and by advancing to CPSL the fraction of the purchase prices of its leased equipment that CPSL did not borrow under its lines of credit. The aggregate amount of advances made by the Company to CPSL as of December 31, 2005, is approximately \$1.3 million. The advances related to operations bear interest at the rate of 8.5% per annum. The advances related to the fraction of the purchase price of leased equipment are not interest bearing.

EMPLOYEE INDEBTEDNESS. To assist certain officers in exercising stock options, the Company or a subsidiary lent to such officers the exercise price of options such officers exercised in May and July 2002. The loans are fully secured by common stock of the Company, bear interest at 5.50% per annum and are due in 2007. The chief executive officer (Mr. Bradley), one executive officer (Mr. Terry), and four officers other than executive officers borrowed money on those terms and still have a balance outstanding. The highest balances of the loans for the period January 1, 2002 through April 30, 2006, were \$350,000 for Mr. Bradley and \$27,375 for one non-executive officer. Pursuant to the Sarbanes-Oxley Act of 2002, Company has ceased providing any loans to its executive officers.

The agreements and transactions described above (other than those between the Company and LLCP) were entered into by the Company with parties who personally benefited from such transactions and who had a control or fiduciary relationship with the Company. In each case such agreements and transactions have been reviewed and approved by the members of the Company's Board of Directors who are disinterested with respect thereto.

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The principal accountant engaged to audit the Company's financial statements to review the Company's interim financial statements through September 30, 2004, was KPMG LLP ("KPMG"). The Company engaged McGladrey & Pullen, LLP ("McGladrey") as the principal accountant to audit the Company's financial statements for the years ended December 31, 2004 and December 31, 2005. Information relating to the fees billed by those firms to the Company appears below.

AUDIT FEES

The aggregate fees billed by McGladrey for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2005, and for the review of the financial statements included in the Company's quarterly reports on Form 10-Q for the three-and nine-month periods ended September 30, 2005 were \$473,250.

The aggregate fees billed by McGladrey for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2004, and for the review of the financial statements included in the Company's quarterly report for the period ended September 30, 2004 on Form 10-Q, for that fiscal year were \$30,000.

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The aggregate fees billed by KPMG for professional services rendered for the review of the financial statements included in the Company's quarterly reports on Form 10-Q for the three-and nine-month periods ended September 30, 2004 were \$122,400.

AUDIT-RELATED FEES

The aggregate fees billed by McGladrey for audit-related services for the fiscal year ended December 31, 2005 was \$294,025. McGladrey did not bill any audit-related fees for the fiscal year ended December 31, 2004. These professional services were rendered in conjunction with the Company's securitization and financing transactions, the audit of the MFN Financial Corporation's benefit plan.

The aggregate fees billed by KPMG for audit-related services were \$137,260 for the fiscal year ended December 31, 2004. These professional services were rendered in conjunction with the Company's securitization and financing transactions.

TAX FEES

The aggregate fees billed in the last fiscal year ended December 31, 2005 for tax services by McGladrey were \$346,025. McGladrey did not render any professional tax services for the fiscal year ended December 31, 2004.

The aggregate fees billed in each of the last two fiscal years ended December 31, 2005 and December 31, 2004 for tax services by KPMG were \$125,418 and \$383,655, respectively.

ALL OTHER FEES

No other fees were billed by McGladrey in the last fiscal years ended December 31, 2005 and December 31, 2004.

The aggregate fees billed by KPMG for other services were \$34,500 for the fiscal year ended December 31, 2004. These other professional services were rendered in conjunction with the Company's Registration Statement on Form S-8 and its Registration Statement on Form S-2 filed with the S.E.C. in January 2005.

The Audit Committee acts pursuant to a written charter adopted by the Board of Directors. Pursuant to the charter, the Audit Committee pre-approves the audit and permitted non-audit fees to be paid to the independent auditor, and authorizes on behalf of the Company the payment of such fees, or refuses such authorization. The Audit Committee has delegated to its chairman and its vice-chairman the authority to approve performance of services on an interim basis.

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In the course of its meetings, the Audit Committee has considered whether the provision of the non-audit fees outlined above is compatible with maintaining the independence of the respective audit firms, and has concluded that such independence is not impaired.

SIGNATURES

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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)

May 1, 2006

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

Charles E. Bradley, Jr., PRESIDENT