

CONSUMER PORTFOLIO SERVICES INC
Form S-3/A
July 27, 2015

As filed with the Securities and Exchange Commission on July 27, 2015

Registration No. 333-204492

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 to
Form S-3 REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

CONSUMER PORTFOLIO SERVICES, INC.

(Exact name of registrant as specified in its charter)

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

3800 Howard Hughes Parkway, Suite 1400

Las Vegas, NV 89169

(949) 753-6800

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

Mark Creatura

Consumer Portfolio Services, Inc.

3800 Howard Hughes Parkway, Suite 1400

With a copy Mark Harris, Esq.
to:

Alston & Bird, LLP

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Las Vegas, NV 89169

(949) 753-6800

2828 North Harwood
Street

Suite 1800

Dallas, TX 75201-2139

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

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

Large accelerated filer Accelerated filer x

Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting
company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee (3)
Primary Offering:				
Common shares, no par value				
Preferred shares, par value \$1.00 per share				
Debt Securities				
Warrants				
Rights				
Stock Purchase Contracts				
Depository Shares				
Units				
Total Primary Offering			\$100,000,000	\$11,620.00
Secondary Offering:				
Common Stock, no par value	3,500,000	\$6.095	\$21,332,500	\$2,478.84
Total				\$14,098.84

There are being registered hereunder the following securities, which together shall have an aggregate offering price not to exceed \$100,000,000: (i) such indeterminate number of shares of common stock, such indeterminate number of shares of preferred stock, such indeterminate principal amount of debt securities, such indeterminate number of warrants to purchase common stock, preferred stock or debt securities, such indeterminate number of rights to purchase common stock, preferred stock, warrants or debt securities, such indeterminate amount of stock purchase contracts, such indeterminate amount of depository shares, and such indeterminate number of units including any of these securities, as may be sold by the registrant from time to time. There are also being registered hereunder 3,500,000 shares of common stock as may be sold from time to time by selling Shareholders described in this registration statement. If any debt securities are issued at an original issue discount, then the offering price of such

(1) debt securities shall be in such greater principal amount as shall result in an aggregate initial offering price not to exceed \$100,000,000, less the aggregate dollar amount of all securities previously issued hereunder. Any securities registered hereunder may be sold separately or as units with other securities registered hereunder. The securities registered also include such indeterminate amounts and numbers of shares of common stock and numbers of shares of preferred stock, and principal amounts of debt securities, as may be issued upon conversion of or exchange for preferred stock or debt securities that provide for conversion or exchange, upon exercise of warrants or pursuant to the anti-dilution provisions of any such securities. In addition, pursuant to Rule 416 of the rules and regulations under the Securities Act of 1933, as amended (the "Securities Act"), the securities being registered hereunder include such indeterminate number of securities as may be issuable with respect to the shares being registered hereunder as a result of stock splits, stock dividends or similar transactions.

(2)

With respect to the primary offering, the proposed maximum per unit and aggregate offering prices per class of security will be determined from time to time in connection with the sale of the securities registered under this registration statement. With respect to the secondary offering, estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act, based upon the \$6.095 average of high and low sales prices per share as reported on the NASDAQ Global Market on May 22, 2015.

(3) With respect to the primary offering, estimated solely for purposes of determining the registration fee pursuant to Rule 457(o) under the Securities Act, and based upon the maximum aggregate offering price of all securities being registered for sale by the registrant. With respect to the secondary offering, a registration fee of \$2,478.84 is payable.

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

SUBJECT TO COMPLETION, DATED JULY 27, 2015

PROSPECTUS

\$100,000,000

CONSUMER PORTFOLIO SERVICES, INC.

Common Stock	Preferred Stock	Debt Securities	Warrants
Rights	Stock Purchase Contracts	Depository Shares	Units

3,500,000 Shares of Common Stock Offered by the Selling Shareholders

This prospectus describes our offer of common stock, preferred stock, debt securities, warrants, rights, stock purchase contracts, depository shares and units from time to time at prices and on terms determined at or prior to the offering. We may offer these securities up to an aggregate offering price of \$100,000,000.

In addition, this prospectus describes the offer by selling Shareholders to be named in a prospectus supplement of up to 3,500,000 shares of our common stock from time to time at prices and on terms determined at or prior to the offering. To the extent that any selling Shareholder resells any securities, the selling Shareholder may be required to provide you with this prospectus and a prospectus supplement identifying and containing specific information about the selling Shareholder and the terms of the securities being offered.

The specific terms of any offered securities will be described in a prospectus supplement. These securities may be offered to or through one or more underwriters, dealers and agents, directly to purchasers, or through any other manner permitted by law, on a continued or delayed basis. See "Plan of Distribution" in this prospectus. The plan of distribution for any particular offering of these securities may also be described in any applicable prospectus supplement. This prospectus describes the general terms of these securities. The specific terms of any securities and the specific manner in which they will be offered will be included in one or more prospectus supplements to this prospectus relating to that offering.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement that contains a description of those securities. The prospectus supplement may add to, change, update or supersede information contained in this prospectus. The prospectus supplement may also contain important information about U.S. federal income tax consequences. You should read carefully this prospectus together with any applicable prospectus supplement and the information incorporated by reference into this prospectus and any applicable prospectus supplement before you decide to invest in our securities.

Our common stock is listed on the NASDAQ Global Market under the symbol "CPSS" On July 24, 2015, the closing price of our common stock as quoted on the NASDAQ Global Market was \$5.97 per share. Each prospectus supplement will indicate whether the securities offered thereby are expected to be listed on any securities exchange.

Our principal executive office is located at 3800 Howard Hughes Parkway, Suite 1400, Las Vegas, NV 89169. Our telephone number is (949) 753-6800 and our company website is www.consumerportfolio.com. Information on our website is not incorporated into this prospectus and does not constitute a part of this prospectus.

Investing in our securities involves various risks. You should carefully consider the risk factors in the sections entitled "Forward-Looking Statements" beginning on page 2 and "Risk Factors" on page 2, the risk factors contained in our filings made with the Securities and Exchange Commission, and the risk factors in any applicable prospectus supplements, before deciding to invest in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of the prospectus is , 2015

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You should rely only on the information contained or incorporated by reference into this prospectus. No dealer, sales person or other person is authorized to provide you with any information that differs from the information in this prospectus. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, which we refer to as the SEC or the Commission, using a “shelf” registration process. Under this shelf registration process, we may from time to time sell common stock, preferred stock, debt securities, warrants to purchase any of such securities, rights to purchase any of such securities, stock purchase contracts, depositary shares and units that include any combination of such securities. We may offer these securities in one or more offerings up to a total aggregate dollar amount of \$100,000,000.

In addition, under this shelf registration process certain selling Shareholders to be named in a prospectus supplement may from time to time sell up to 3,500,000 shares of our common stock.

This prospectus provides you with a general description of the securities covered by this prospectus, which is not intended to be a complete description of each security. Each time securities are sold under this shelf registration process, we and/or the selling Shareholders will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add to, update, change or supersede any of the information contained in this prospectus or in the documents that we have incorporated by reference into this prospectus. To the extent there is a conflict between the information contained in this prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement, provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date — for example, a document incorporated by reference in this prospectus or any prospectus supplement — the statement in the document having the later date modifies or supersedes the earlier statement. You should read the prospectus and any applicable prospectus supplement, together with the additional information described under the heading “WHERE YOU CAN FIND MORE INFORMATION,” before deciding to invest in any of the securities being offered.

THIS PROSPECTUS MAY NOT BE USED TO CONSUMMATE A SALE OF SECURITIES UNLESS IT IS ACCOMPANIED BY A PROSPECTUS SUPPLEMENT.

You should rely only on the information contained or incorporated by reference in this prospectus and any supplement to this prospectus. No dealer, sales person or other person is authorized to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and any prospectus supplement does not constitute an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their

entirety by reference to the actual documents. Copies of some of the documents referred to herein have been filed, will be filed or will be incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under the heading "WHERE YOU CAN FIND MORE INFORMATION."

You should not assume that the information in this prospectus and any prospectus supplement is accurate as of any date other than the date of the document containing the information. Our business, financial condition, results of operations and prospects may have changed since then.

In this prospectus and any accompanying prospectus supplement, except as otherwise noted or unless the context indicates otherwise, references to "CPS," the "Company," "we," "our," and "us" refer to Consumer Portfolio Services, Inc. and its consolidated subsidiaries.

PROSPECTUS SUMMARY

This summary highlights selected information about us and does not contain all the information that may be important to you. To understand the terms of the securities being offered by this prospectus, the associated prospectus supplement, and any free writing prospectus, we encourage you to read the entire prospectus, especially the risks of investing in the shares described under the section “Risk Factors,” and the documents identified under the caption “Incorporation of Documents by Reference.”

Company Overview

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

We were incorporated in California in 1991. Our principal executive office is located 3800 Howard Hughes Parkway, Suite 1400, Las Vegas, NV 89169, and our telephone number is (949) 753-6800. Our website address is www.consumerportfolio.com. Information found on, or accessible through, our website is not a part of, and is not incorporated into, this prospectus, and you should not consider it part of this prospectus or part of any prospectus supplement. Our website address is included in this document as an inactive textual reference only.

RISK FACTORS

An investment in our securities involves various risks. Before you decide whether to purchase any of our securities, you should carefully consider the risks described below and in any applicable prospectus supplement, together with all of the other information appearing in this prospectus or incorporated by reference into this prospectus, in light of your particular investment objectives and financial circumstances. In particular, but without limitation, the risk factors discussed in our annual report on Form 10-K, our quarterly reports on Form 10-Q, and in our other filings with the SEC are factors that you should consider. See “Incorporation of Documents by Reference.”

The risks so described are not the only risks facing our company. Additional risks not presently known to us or that we currently believe to be immaterial may also impair our business operations. Our business, financial conditions, or results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment.

FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference herein, contains, and any applicable prospectus supplement or free writing prospectus, including the documents we incorporate by reference therein, may contain forward-looking statements. Forward-looking statements include all statements that are not historical facts. In some cases, you can identify forward-looking by words such as "believes," "expects," "anticipates," "may," "will," "should," "seeks," "approximately," "intends," "plans," or "estimates," or the negative of these words, or other similar expressions. In particular, statements regarding expectations or opportunities, industry and other trends, new product expectations and capabilities, and our outlook regarding future financial performance or condition are forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the factors discussed under "Risk Factors" in our Annual Reports on Form 10-K, in our Quarterly Reports on Form 10-Q, any subsequently filed amendments to those reports, and in the applicable prospectus supplement and any free writing prospectuses that we authorize for a specific offering. Some of the factors that might cause actual results to differ materially from those projected, anticipated or implied include the following:

changes in general economic conditions;
changes in performance of our automobile contracts;
increases in interest rates;
our ability to generate sufficient operating and financing cash flows;
competition;
level of losses incurred on automobile contracts in our managed portfolio; and
adverse actions by courts or regulators

You should not place undue reliance on any forward-looking statements, which speak only as of the date such statements were first made. Except to the extent required by federal securities laws, we undertake no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

USE OF PROCEEDS

Unless otherwise provided in an applicable prospectus supplement, we currently intend to use the net proceeds from the sale of the securities under this prospectus by us for general corporate purposes, which may include general and administrative expenses, capital expenses, repayment or refinancing of debt, acquisitions of, or investment in, properties, companies, subsidiaries or assets that complement our business, or repurchasing or redeeming our securities. We will set forth in a prospectus supplement relating to a specific offering by us our intended use for the net proceeds received from the sale of securities in that offering. Pending the application of the net proceeds, we may invest net proceeds in marketable securities and/or short-term investment grade securities.

We will not receive any proceeds from the sale of shares of our common stock by any selling Shareholder.

SELLING SHAREHOLDERS

This prospectus relates in part to the possible sales by certain of our Shareholders, who own shares of our common stock. Certain of the shares of our common stock included in this prospectus for resale by the selling Shareholders were acquired upon exercise of stock options that we granted to such selling Shareholders under one or more employee benefit plans. Certain of the shares of our common stock included in this prospectus for resale by the selling Shareholders were acquired in private transactions directly from us, and the remaining shares of common stock that may be offered by the selling Shareholders were acquired in open-market transactions. The initial purchasers of these securities, as well as their transferees, pledges, donees or successors, all of whom are referred to herein as “selling Shareholders,” may from time to time offer and sell such securities pursuant to this prospectus and any applicable

prospectus supplement. The selling Shareholders may include officers and directors of the Company.

This prospectus also relates in part to the possible sales, by holders of outstanding warrants to purchase our common stock, of shares of common stock issuable upon the conversion or net exercise of such warrants. In a conversion or net exercise of a warrant, the exercise price of the warrant is paid by reducing the number of shares issuable upon conversion such that the product of the reduction in the number of shares issuable, times the then-prevailing market price of such shares, equals the exercise price.

The shares acquired in private transactions from us were issued concurrently with the Company's formation in March 1991, or issued on December 11, 1995 to shareholders of CPS Holdings, Inc. upon the Company's merger with that corporation. The outstanding warrants were issued by us in July 2008 in consideration of discharge of Company indebtedness. Each of such issuances was a private offering, accomplished without general solicitation of offerees, and offered exclusively to accredited investors.

The applicable prospectus supplement will set forth the name of each of the selling Shareholders, the amount of our common stock (and warrants if applicable) that is (i) owned by each selling Shareholder prior to the offering, (ii) to be offered by each selling Shareholder, and (iii) to be owned by each selling Shareholder after completion of the offering. The applicable prospectus supplement will also disclose whether any of the selling Shareholders has held any position or office with, has been employed by or otherwise has had a material relationship with us (or any of our predecessors or affiliates) during the three years prior to the date of such prospectus supplement.

RATIOS OF EARNINGS TO FIXED CHARGES

	Year Ended December 31,					Six Months Ended June 30,	
	2010	2011	2012	2013	2014	2014	2015
Ratio of earnings to fixed charges ¹	0.80	0.83	1.11	1.63	2.01	1.93	2.09
Deficiency ² (\$000s)	(16,195)	(14,460)	--	--	--	--	--

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

² The deficiency is the amount by which the sum of earnings plus fixed charges, as calculated above, fell short of fixed charges. It is thus equal to our pre-tax loss recorded in the years ended December 31, 2010 and 2011.

Throughout the periods presented above, we did not have any outstanding shares of preferred stock other than our Series B Preferred (see "Description of Capital Stock – Preferred Stock"). We issued the Series B Preferred on December 23, 2010, and we retired such shares by exchange for common stock on June 15, 2011. Pursuant to the terms of the Series B Preferred, no dividends were to accrue with respect to such shares provided that such exchange occurred prior to January 1, 2012. Accordingly, we accrued no dividends with respect to any preferred stock in any of the periods presented above, and the ratios of earnings to combined fixed charges and preferred stock dividends are identical to the ratios presented in the above table.

DILUTION

A prospectus supplement will set forth the following information regarding any material dilution of the equity interests of investors purchasing securities in an offering under this prospectus:

- the net tangible book value per share of our equity securities before and after the offering;
- the amount of the increase in such net tangible book value per share attributable to the cash payments made by purchasers in the offering; and
- the amount of the immediate dilution from the public offering price which will be absorbed by such purchasers.

THE SECURITIES WE MAY OFFER

The descriptions of the securities contained in this prospectus, together with the applicable prospectus supplements, summarize the material terms and provisions of the various types of securities that may be offered. The applicable prospectus supplement relating to any securities will describe the particular terms of the securities offered by that prospectus supplement. If indicated in the applicable prospectus supplement, the terms of the securities may differ from the terms summarized below. The prospectus supplement will also include information, where applicable, about material U.S. federal income tax considerations relating to the securities, and the securities exchange, if any, on which the securities are expected to be listed. The descriptions herein and in the applicable prospectus supplement do not contain all of the information that you may find useful or that may be important to you. You should refer to the provisions of the actual documents whose terms are summarized herein and in the applicable prospectus supplement, because those documents, and not the summaries, define your rights as holders of the relevant securities. For more information, please review the forms of these documents, which are or will be filed with the SEC and will be available as described under the heading “WHERE YOU CAN FIND MORE INFORMATION.”

We may sell from time to time, in one or more offerings:

- common stock;
- preferred stock;
- debt securities;
- warrants to purchase any of the securities listed above;
- rights to purchase any of the securities listed above;
- stock purchase contracts;
- depositary shares; and
- units that include any combination of the securities listed above.

We may offer these securities under this prospectus up to an aggregate offering price of \$100,000,000. If debt securities are issued at a discount from their original stated principal amount, then, for purposes of calculating the total dollar amount of all securities issued under this prospectus, we will treat the initial offering price of the debt securities as the total original principal amount of the debt securities.

Certain selling Shareholders may also sell from time to time, in one or more offerings, up to a total of 3,500,000 shares of our common stock under this prospectus.

This prospectus may not be used to consummate a sale of securities unless it is accompanied by a prospectus supplement.

DESCRIPTION OF CAPITAL STOCK

The following description of our common stock and preferred stock, together with the additional information included in any applicable prospectus supplements, summarizes the material terms and provisions of the common stock and preferred stock that may be offered under this prospectus. For the complete terms of our common stock and preferred stock, please refer to our articles of incorporation and bylaws, which are incorporated by reference into the registration statement, of which this prospectus forms a part. The terms of our common stock and preferred stock may also be affected by California law.

Authorized Capital Stock

Our authorized capital stock consists of 75,000,000 shares of common stock, no par value per share, and 10,000,000 shares of preferred stock, \$1.00 par value per share. As of June 30, 2015, we had 26,150,459 shares of common stock outstanding and no shares of preferred stock outstanding.

Common Stock

Subject to limitations prescribed by law or the rules of any stock exchange on which our securities may be listed or traded, we may issue our common stock from time to time upon such terms and for such consideration as may be determined by our board of directors. Generally, the issuance of common stock, up to the aggregate amounts authorized by our articles of incorporation and any limitations prescribed by law or the rules of any stock exchange on which our securities may be listed or traded, will not require approval of our Shareholders.

Voting

The holders of our common stock, subject to any rights that may be granted to any preferred Shareholders, elect all directors. Our common stock has cumulative voting rights in the election of directors if and only if a shareholder demands cumulative voting with respect to any particular election.

For all other matters submitted to a vote of Shareholders, each holder of common stock is entitled to one vote for each share registered in the Shareholder's name. Directors are elected by a plurality of the shares voting in person or by proxy. A plurality means receiving the largest number of votes, regardless of whether that is a majority.

Dividends

Holders of common stock are entitled to share ratably in any dividends declared by our board of directors, subject to any preferential dividend rights of any outstanding preferred stock. Dividends consisting of shares of common stock may be paid to holders of shares of common stock. It is our current policy to retain future earnings to finance operations and expansion. Accordingly, we have not, and do not contemplate, declaring or paying cash dividends in the foreseeable future. Any future payment of dividends will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, cash requirements and other factors deemed relevant by our board of directors, including the terms of our indebtedness. In addition, provisions in agreements governing our long-term indebtedness restrict the amount of dividends that we may pay to our Shareholders. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” of our Annual Report on Form 10-K for the year ended December 31, 2014.

Liquidation and Dissolution

If we are liquidated or dissolve, the holders of our common stock will be entitled to share ratably in all the assets that remain after we pay our liabilities, subject to the prior rights of any outstanding preferred stock.

Other Rights and Restrictions

Holders of our common stock have no redemption, preemptive, subscription or similar rights, are not entitled to the benefits of any sinking fund, and have no right to convert their common stock into any other securities. Our common stock is not subject to redemption by us. Our articles of incorporation and bylaws do not restrict the ability of a holder of common stock to transfer the Shareholder’s shares of common stock. When we issue shares of common stock under this prospectus, the shares will be fully paid and non-assessable and will not have, or be subject to, any preemptive or similar rights.

The rights, powers, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of our preferred stock.

Listing

Our common stock is listed on the NASDAQ Global Market, Inc. under the symbol "CPSS" On July 24, 2015, the closing price of our common stock as quoted on the NASDAQ Global Market, Inc. was \$5.97 per share.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

Anti-Takeover Provisions of Our Articles of incorporation and Bylaws

Our articles of incorporation and bylaws contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions are summarized below.

Authorized but Unissued Capital Stock

We currently have 75,000,000 authorized shares of common stock and 10,000,000 authorized shares of preferred stock. Due to our authorized but unissued common stock and preferred stock, our board of directors may be able to discourage or make any attempt to obtain control of us more difficult. If, in the exercise of its fiduciary obligations, our board of directors determines that a takeover proposal is not in our best interest, the board of directors could issue a portion of these shares without Shareholder approval, subject to any limitations prescribed by law or the rules of any stock exchange on which our securities may be listed. These shares could be issued in one or more transactions that might prevent or make the completion of a proposed change of control transaction more difficult or costly by:

- diluting the voting or other rights of the proposed acquiror or insurgent Shareholder group;
- creating a substantial voting block in institutional or other hands that might undertake to support the position of the incumbent board of directors; or
- effecting an acquisition that might complicate or preclude the takeover.

In this regard, our articles of incorporation grant our board of directors broad power to establish the rights, preferences and limitations of the authorized and unissued shares of our preferred stock. For example, our board of directors could establish one or more series of preferred stock that entitle holders to:

- vote separately as a class on any proposed merger or consolidation;
- cast a proportionately larger vote together with our common stock on any proposed transaction or other voting matter;
- elect directors having terms of office or voting rights greater than those of our other directors;
- convert preferred stock into a greater number of shares of our common stock or other securities;
- demand redemption at a specified price under prescribed circumstances related to a change of control of us; or
- exercise other rights designed to impede a takeover.

Liability and Indemnification of Directors

As permitted by the California Corporations Code, we have adopted provisions in our articles of incorporation and bylaws that provide for the indemnification of our directors and officers to the fullest extent permitted by applicable law. These provisions, among other things, indemnify each of our directors and officers for certain expenses, including judgments, fines, and amounts paid in settling or otherwise disposing of actions or threatened actions, incurred by reason of the fact that such person was a director or officer of the Company.

In addition, we may in the future enter into indemnification agreements with some or all of our directors and officers pursuant to which we will indemnify them against judgments, claims, damages, losses, and expenses incurred as a result of the fact that any such individual, in his capacity as an officer or director, is made or threatened to be made a party to any suit or proceeding. The indemnification agreements may provide for our advancing certain expenses (such as attorney's fees, witness fees, damages, judgments, fines and settlement costs) in connection with any such suit or proceeding.

We maintain a directors' and officers' liability insurance policy to insure our directors and officers against certain losses resulting from acts committed by them in their capacities as our directors and officers, including liabilities arising under the federal securities laws.

Preferred Stock

Our articles of incorporation authorizes our board to issue up to 10,000,000 shares of preferred stock in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or other provisions as may be fixed by the board. Our board of directors has previously authorized the issuance of two series of preferred stock, designated "Class A Preferred" (the "Class A Preferred") and "Series B Convertible Preferred" (the "Series B Preferred"). All of such authorized shares were issued, none remain available for issuance, and none remain outstanding. The authority to authorize issuance of up to 4,998,130 shares of preferred stock, in one or more series, remains.

While providing desired flexibility in connection with possible acquisitions and other corporate purposes, the issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of the company without further action by the Shareholders. Shares of preferred stock may be convertible into common stock based on terms, conditions, rates and subject to such adjustments set by the board. The issuance of preferred stock with voting and conversion rights may also adversely affect the voting power of the holders of common stock, including the loss of voting control to others, and negatively affect any dividend payments or liquidation payments to holders of our common stock. No shares of preferred stock are currently outstanding.

If we decide to issue any preferred stock pursuant to this prospectus, we will describe in a prospectus supplement the terms of the preferred stock, including, if applicable, the following:

- the title of the series and stated value;
- the number of shares of the series of preferred stock offered, the liquidation preference per share, if applicable, and the offering price;
- applicable dividend rate(s) or amount(s), period(s) and payment date(s) or method(s) of calculation thereof;
- the date from which dividends on the preferred stock will accumulate, if applicable;
- any procedures for auction and remarketing;
- any provisions for a sinking fund;
- any applicable provision for redemption and the price or prices, terms and conditions on which preferred stock may be redeemed;
- any securities exchange listing;
- any voting rights and powers;
- whether interests in the preferred stock will be represented by depositary shares;
- the terms and conditions, if applicable, of conversion into shares of our common stock, including the conversion price or rate or manner of calculation thereof;
- a discussion of any material U.S. federal income tax considerations;
- the relative ranking and preference as to dividend rights and rights upon our liquidation, dissolution or the winding up of our affairs;
- any limitations on issuance of any series of preferred stock ranking senior to or on a parity with such series of preferred stock as to dividend rights and rights upon our liquidation, dissolution or the winding up of our affairs; and
- any other specific terms, preferences, rights, limitations or restrictions of such series of preferred stock.

DESCRIPTION OF DEBT SECURITIES

The following description, together with the additional information we include in any applicable prospectus supplements, summarizes the material terms and provisions of the debt securities that we may offer under this prospectus. While the terms we have summarized below will apply generally to any future debt securities that may be offered under this prospectus, we will describe the particular terms of any debt securities that may be offered in more detail in the applicable prospectus supplement. If we indicate in a prospectus supplement, the terms of any debt securities offered under that prospectus supplement may differ from the terms we describe below.

Senior notes will be issued under a senior indenture, and subordinated notes will be issued under a subordinated indenture. Each indenture for debt securities issued by us will be entered into between us and a trustee to be named in such indenture. We have filed forms of the senior indenture and the subordinated indenture as exhibits to the registration statement, of which this prospectus forms a part. We use the term “indentures” to refer to both the senior indenture and the subordinated indenture. The indentures will be qualified under the Trust Indenture Act of 1939, or the Trust Indenture Act. We use the term “trustee” to refer to either the trustee under the senior indenture or the trustee under the subordinated indenture, as applicable.

The following summaries of material provisions of senior notes, subordinated notes and the indentures are subject to, and qualified in their entirety by reference to, the provisions of the indenture applicable to a particular series of debt securities. Except as we may otherwise indicate, the terms of the senior indenture and the subordinated indenture are identical.

General

If we decide to issue any senior notes or subordinated notes pursuant to this prospectus, we will describe in a prospectus supplement the terms of the series of notes, including the following:

the title;

any limit on the amount that may be issued;

whether or not we will issue the series of notes in global form, and, if so, who the depository will be;

the maturity date;

the annual interest rate, which may be fixed or variable, or the method for determining the rate and the date interest will begin to accrue, the dates interest will be payable and the regular record dates for interest payment dates or the method for determining such dates;

whether or not the notes will be secured or unsecured, and the terms of any secured debt;

whether or not the notes will be senior or subordinated;

the terms of the subordination of any series of subordinated debt;

the place where payments will be payable;

our right, if any, to defer payment of interest and the maximum length of any such deferral period;

the date, if any, after which, and the price at which, we may, at our option, redeem the series of notes pursuant to any optional redemption provisions;

the date, if any, on which, and the price at which we are obligated, pursuant to any mandatory sinking fund provisions or otherwise, to redeem, or at the holder's option to purchase, the series of notes;

whether the indenture will restrict our ability to pay dividends, or will require us to maintain any asset ratios or reserves;

whether we will be restricted from incurring any additional indebtedness;

a discussion of any material or special U.S. federal income tax considerations;

the denominations in which we will issue the series of notes, if other than denominations of \$1,000 and any integral multiple thereof; and

any other specific terms, preferences, rights or limitations of, or restrictions on, the debt securities.

Conversion or Exchange Rights

We will set forth in the applicable prospectus supplement the terms on which a series of debt securities may be convertible into or exchangeable for common stock or other securities of ours. Any convertible debt securities that may be offered shall be convertible only into the common stock or preferred stock of the Company. We will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option. We may include provisions pursuant to which the number of shares of common stock or other securities of ours that the holders of the series of debt securities receive would be subject to adjustment.

Consolidation, Merger or Sale

The indentures do not contain any covenant that restricts our ability to merge or consolidate, or sell, convey, transfer or otherwise dispose of all or substantially all of our assets. However, any successor to or acquirer of such assets must assume all of our obligations under the indentures or the debt securities, as appropriate.

Events of Default Under the Indentures

The following are events of default under the indentures with respect to any series of debt securities that we may issue: