



CONSUMER PORTFOLIO SERVICES, INC.

FORM 10-K/A

(Amended Annual Report)

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

FORM 10-K/A Amendment No 2

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2022**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: **001-14116**

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

California
(State or other jurisdiction of incorporation or organization)

33-0459135
(I.R.S. Employer Identification No.)

3800 Howard Hughes Pkwy, Las Vegas, NV
(Address of principal executive offices)

89169
(Zip Code)

Registrant's telephone number, including area code: **(949) 753-6800**

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of Each Class</u> | <u>Trading Symbol</u> | <u>Name of Each Exchange on Which Registered</u> |
|----------------------------|-----------------------|--|
| Common Stock, no par value | CPSS | The Nasdaq Stock Market LLC (Global Market) |

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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 Non-accelerated filer Smaller reporting company Emerging Growth Company

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the 13,680,435 shares of the registrant's common stock held by non-affiliates as of June 30, 2022, based upon the closing price of the registrant's common stock of \$10.25 per share reported by Nasdaq as of that date, was approximately \$140,224,459. For purposes of this computation, a registrant sponsored pension plan and all directors and executive officers are deemed to be affiliates. Such determination is not an admission that such plan, directors and executive officers are, in fact, affiliates of the registrant.

At the close of business on April 18, 2023, there were 20,420,365 common shares of the registrant outstanding.

Auditor Firm:
Crowe LLP

Auditor Firm ID:
173

Auditor Firm Location:
Dallas, Texas

EXPLANATORY NOTE

On March 15, 2023, Consumer Portfolio Services, Inc. (the "Company" or "CPS") filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "2022 Form 10-K"). The Company filed the Amendment No. 1 to the 2022 Form 10-K ("Amendment No. 1") solely to furnish the Rule 13a-14(a) and Section 1350 certifications. This Amendment No. 2 (the "Amendment No. 2") amends Part III, Items 10 through 14, of the 2022 Form 10-K to include information previously omitted from the 2022 Form 10-K in reliance on General Instruction G(3) to Form 10-K. That instruction provides that registrants may incorporate by reference certain information from a definitive proxy statement, or, if such statement is not filed by 120 days after the end of the fiscal year, then by amendment of the annual report. Accordingly, Part III of the 2022 Form 10-K is hereby amended to add the information set forth below.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), certifications by the Company's principal executive officer and principal financial officer are filed as exhibits to this Amendment under Item 15 of Part IV. The certifications are filed with this Amendment as Exhibits 31.1 and 31.2. Because no financial statements are included in this Amendment and this Amendment does not contain or amend any disclosures with respect to Items 307 or 308 of Regulation S-K, paragraphs 3, 4 and 5 of the certifications have been omitted. This Amendment does not include the certifications under Section 906 of the Sarbanes-Oxley Act of 2002 because no financial statements are included in this Amendment.

Except as stated herein, this Amendment does not reflect events occurring after the filing of the 2022 Form 10-K with the SEC on March 15, 2023 and no attempt has been made in this Amendment to modify or update other disclosures contained in the 2022 Form 10-K.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors

The names of the Company's directors, their principal occupations, and certain other information regarding them are set forth below. None of the Company's directors currently serves on the board of directors of any other publicly-traded companies registered with the U.S. Securities and Exchange Commission.

Charles E. Bradley, Jr., 63, has been the Company's Chief Executive Officer since January 1992, a director since the Company's formation in March 1991, and was elected Chairman of the Board of Directors in July 2001. Prior to that he was President of the Company from March 1991 to December 2022. 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. Having been with the Company since its inception, Mr. Bradley brings comprehensive knowledge of the Company's business, structure, history and culture to the Board and the Chairman position.

Stephen H. Deckoff, 57, has been a director of the Company since August 2022. Mr. Deckoff has been the Managing Principal of Black Diamond, a privately held alternative asset management firm, since its founding in 1995. In that capacity, he is responsible for all portfolio management and business operations. Prior to 1995, Mr. Deckoff was a Senior Vice President of Kidder, Peabody & Co. Inc. and head of its Structured Finance Group. Prior to joining Kidder, Mr. Deckoff was a Managing Director in the Structured Finance Group at Bear Stearns & Co., Inc. Before joining Bear Stearns, Mr. Deckoff worked in the Structured Finance Department of Chemical Securities, Inc. and the Fixed Income Research Department at Drexel Burnham Lambert. Mr. Deckoff brings to the Board his extensive financial experience and expertise.

Louis M. Grasso, 77, has been a director of the Company since October 2019. Mr. Grasso was the founder and majority owner of PFC Corporation until his retirement in November 2011, upon sale of PFC's portfolio of assets to Capstone Realty Advisors. Over a period of 35 years, PFC Corporation originated over \$1.8 billion of mortgage loans, and issued \$1.8 billion of mortgage-backed securities. He brings to the Board knowledge and experience bearing in particular on the Company's strategies for meeting its capital requirements, and broad organizational and management skills.

William W. Grounds, 67, has been a director of the Company since December 2021. From 2008 to 2021, he was the President and COO of Infinity World Development Corp, which is a subsidiary of a sovereign wealth fund in the United Arab Emirates. He served on the board of MGM Resorts International from 2013 to 2021 and of Remark Holdings Inc. from 2013 to 2019. Mr. Grounds joined the Board of PointsBet Holdings Limited, an Australian based sports wagering operator and iGaming provider, in December 2022. During his career he has held senior executive positions in major real estate private equity investment, development and construction entities. Mr. Grounds brings to the Board experience as a director of publicly-traded companies, and skills in investment and general

management.

Brian J. Rayhill, 60, has been a director of the Company since August 2006. Mr. Rayhill has been a practicing attorney in New York State since 1988. As an experienced advocate, counselor and litigator, Mr. Rayhill brings legal knowledge and perspective to the Company's Board.

William B. Roberts, 85, has been a director of the Company since its formation in March 1991. From 1981 until his retirement at the end of 2020, he was the President of Monmouth Capital Corp., an investment firm that specializes in management buyouts. Having spent decades in the business of finance, Mr. Roberts brings to the Company's Board his perspective and judgment regarding means of financing its business.

James E. Walker III, 60, has been a director of the Company since August 2022. Mr. Walker is Managing Partner and Founder of Vinson Ventures, LLC, a boutique investment firm focused on building and growing early-stage companies, and the Executive Chairman of IntelliPro, a SaaS based investment management software product for the asset management industry. Prior to starting Vinson Ventures, from June 2020 to August 2021, Mr. Walker served as CEO and Partner at Palm Ventures, LLC, a private investment firm in Greenwich, CT. From November 2017 to present, Mr. Walker has been a member of the board of directors of Starwood Real Estate Trust, a private real estate investment firm, and has served as the lead independent director. From 2018 to present, Mr. Walker has also served as a senior partner at Jadian Capital, an alternative investment firm. From 2008 through 2017, Mr. Walker was a Managing Partner of Fir Tree Partners, a global alternative asset management firm. Prior to joining Fir Tree, Mr. Walker was a cofounder and Managing Partner of Black Diamond, a privately held alternative asset management firm. Mr. Walker began his career in investment banking at Kidder and Bear Stearns. Mr. Walker joined the board of Clarus Corporation, a global company focused on the outdoor and consumer enthusiast markets, in February 2022. Mr. Walker also became a member of the advisory board for certain funds managed by Black Diamond in January 2022. Mr. Walker brings to the Board his extensive investment management experience.

Gregory S. Washer, 61, has been a director of the Company since June 2007. He was the president and owner of Clean Fun Promotional Marketing, a promotional marketing company, from its founding in 1986 through its sale in September 2014. He continued to act as a consultant to Clean Fun through August 2017, and is now retired. With his experience in promotions and marketing, Mr. Washer contributes to the Board significant organizational and operational management skills, combined with a wealth of experience in promotion and marketing of services.

Daniel S. Wood, 64, has been a director of the Company since July 2001. Mr. Wood was president of Carclo Technical Plastics, a manufacturer of custom injection moldings, from September 2000 until his retirement in April 2007. Previously, from 1988 to September 2000, he was the chief operating officer and co-owner of Carrera Corporation, the predecessor to the business of Carclo Technical Plastics. As president of Carclo, Mr. Wood was responsible for the overall operation of that company and for the quality and integrity of its financial statements. He brings to the Board the knowledge and perspective useful in evaluating the Company's financial statements, and broad organizational and management skills.

Black Diamond Nomination Letter

The Company received from Black Diamond a nomination letter dated March 14, 2022, as supplemented on June 17, 2022, which requested the nomination to the Board of nominees identified by Black Diamond. On August 3, 2022, the Company received a notice from Black Diamond withdrawing its nomination letter. In exchange for such withdrawal, the Company agreed to nominate Mr. Deckoff and Mr. Walker for election to the Board at the 2022 annual shareholder meeting.

Executive Officers

The information regarding the Company's executive officers set forth in Part I of this report under the caption "Executive Officers of the Registrant" is incorporated herein by reference.

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 2022 were timely filed, except that: (A) one Form 4 for John P. Harton was filed on August 18, 2022 with respect to a transaction on June 17, 2022, and (B) one Form 3 was filed for James E. Walker III on November 28, 2022 with respect to Mr. Walker being elected as director on August 25, 2022.

Code of Ethics

The Company has adopted a Code of Ethics for Senior Financial Officers, which applies to the Company's chief executive officer, chief financial officer, controller and others. 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.

Audit and Other Committees

The Board of Directors has established an Audit Committee, a Compensation Committee, and a Nominating Committee. Each of these three committees operates under a written charter, adopted by the Board of Directors. The charters are available on the Company's website, <https://ir.consumerportfolio.com/corporate-governance>. The Board of Directors has concluded that each member of these three committees (every director other than Mr. Bradley, the Company's chief executive officer), 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 that would impair their independence from management or otherwise compromise the ability to act as an independent director.

The members of the Audit Committee are Mr. Rayhill (chairman), Mr. Grasso, Mr. Washer, and Mr. Wood.

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 that may arise with respect to accounting and auditing policy and procedure.

The Board of Directors has further determined that Mr. Wood has the qualifications and experience necessary to serve as an "audit committee financial expert" as such term is defined in Item 407 of Regulation S-K promulgated by the SEC. Mr. Wood, as president of Carclo Technical Plastics, was responsible for the preparation and evaluation of the audited financial statements of that company.

Item 11. Executive Compensation.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee comprises non-employee directors Daniel Wood (chairman), William Grounds, and William Roberts. Chris Adams served on the Compensation Committee during his directorship term through the 2022 annual meeting of shareholders.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this report. Based on such review and discussions and relying thereon, the Compensation Committee has recommended to the Company's Board of Directors that the Compensation Discussion and Analysis set forth below be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

THE COMPENSATION COMMITTEE

Daniel S. Wood (chairman)

William W. Grounds

William B. Roberts

Compensation Discussion and Analysis

2022 Say-on-Pay Advisory Vote Outcome

The Compensation Committee annually considers the results of the most recent advisory vote by shareholders to approve executive officer compensation. In the 2022 advisory vote, a majority of the voted shares (81%) approved of the compensation of our named executive officers. The Compensation Committee interprets that vote as a reason to retain the existing design, purposes and structure of our executive compensation programs. The Compensation Committee will continue to consider the results from future shareholder advisory votes regarding executive officer compensation in its future administration of executive compensation.

Compensation Objectives

The Company's objectives with respect to compensation are several. The significant objectives are to cause compensation (i) to be sufficient in total amount to provide reasonable assurance of retaining key executives, (ii) to include a significant contingent component, so as to provide strong incentives to meet designated Company objectives, and (iii) to include a significant component tied to the price of the Common Stock, so as to align management's incentives with shareholder interests. The compensation committee ("Committee") of the Company's Board of Directors is charged with administering the Company's compensation plans to meet those objectives. To the extent that elements of compensation would not advance such objectives, or would do so less effectively than would other elements, the Committee seeks to avoid paying compensation in those forms.

Role of the Compensation Committee and the chief executive officer

Our Board of Directors has authorized the Compensation Committee, which is composed solely of independent directors, to make all decisions regarding executive compensation, including administration of our compensation plans. In that regard, the Compensation Committee:

- Reviews and discusses with management the factors underlying our compensation policies and decisions, including overall compensation objectives;
- Reviews and approves all company goals and objectives (both financial and non-financial) relevant to the compensation of the chief executive officer;
- Evaluates, together with the other independent directors, the performance of the chief executive officer in light of these goals and objectives and that individual's overall effectiveness;

- Fixes and approves each element of the compensation of the chief executive officer;
- Reviews the performance evaluations of all other members of executive management (the chief executive officer prepares and presents to the Compensation Committee the performance evaluations of the other executive officers);
- Reviews and approves each element of compensation, as well as the terms and conditions of employment, of those other executive officers;
- Grants awards under our equity compensation plans and oversees the administration of those plans; and
- Reviews the costs and structure of our key employee benefit and fringe-benefit plans and programs.

The Compensation Committee is authorized to form subcommittee(s) and to retain experts and consultants to assist in the discharge of its responsibilities. To date it has not done so.

The chief executive officer, who attends meetings of the Compensation Committee by invitation of the Committee's chairman, assists the Committee in determining the compensation of our other executive officers by, among other things:

- Proposing annual merit increases to the base salaries of the other executive officers;
- Establishing annual individual performance objectives for the other executive officers and evaluating their performance against such objectives (the Committee reviews these performance evaluations); and
- Making recommendations, from time to time, for special stock option and restricted stock grants (e.g., for motivational or retention purposes) to other executive officers.

The other executive officers do not have a role in determining their own compensation, other than to discuss their annual individual performance objectives and results achieved with the chief executive officer.

Our Overall Approach

The Committee has put into place a compensation system consisting of three key components: base salary, an annual cash bonus pursuant to an incentive plan, and long-term equity incentives in the form of stock options.

The table below provides comparative information regarding the components of our year 2022 executive compensation program. We are applying the same elements in our executive compensation program for the year 2023.

| <i>Element</i> | <i>Form</i> | <i>Objectives and Basis</i> |
|----------------------------------|---------------|--|
| Base Salary | Cash | <ul style="list-style-type: none"> · Attract and retain high quality personnel · Targeted to be superior to compensation offered by our competitors |
| Annual Incentive Bonus | Cash | <ul style="list-style-type: none"> · Achieve objectives set annually · Annual bonus amount is set and computed as a percentage of base salary · Actual payout determined by Company and individual performance · Target total cash (base salary + target bonus) designed to be superior to compensation offered by our competitors |
| Long-Term Incentive Compensation | Stock options | <ul style="list-style-type: none"> · Align interests of executives with those of shareholders; · Target long-term incentive award size designed to retain executives through long-term vesting and the potential for wealth accumulation, contingent on benefit to the shareholders |

The Committee has from time to time considered providing additional elements of executive compensation. It has considered elements such as restricted stock awards, restricted stock units, compensation contingent on a change in control, defined benefit pension plans, deferred cash compensation, and supplemental retirement plans (supplemental in the sense that they exceed the limits for tax advantaged treatment). To date, the Committee has elected not to pay compensation in such forms, having determined that the Company's objectives are better met by one or more of the elements of compensation that it does pay.

Regarding restricted stock and restricted stock units, the Committee has noted that any form of equity equivalent to or closely tied to common stock does serve to meet the objective of aligning officers' personal interest with that of the shareholders generally. The Committee believes, however, that the objective is better met by grants of stock options than by grants of share equivalents, because recipients of the grants will face the same degree of variance in results at a lesser cost to the Company, when option grants are compared to grants of restricted stock units. Further, unlike restricted stock, option grants will not provide a reward to the holder absent an improvement over time in the Company's stock price. The committee has elected not to provide material perquisites as compensation, having determined that cash is a better medium of exchange.

Regarding compensation that would be payable contingent on a change in control of the Company, the Committee believes that there are certain legitimate objectives to be met by such contingent compensation. As of the date of this report, however, no such contingent compensation plans are in place. Regarding defined benefit pension plans, deferred cash compensation and supplemental retirement plans, the Committee believes that the Company's retention objective is better met by straight cash payments, whether in the form of base salary or in the form of bonus compensation. In particular with respect to plans for deferred compensation, the

Committee believes those make sense for the Company and for the recipient only on the basis of assumptions regarding future tax rates payable by each. Having no assurance that such assumptions would be correct, the Committee has chosen not to put into place any special deferred compensation programs for the company's executive officers. Those officers do participate in a company-sponsored tax-deferred savings plan, commonly known as a 401(k) plan, on the same terms available to company employees generally.

The Committee may in the future revisit its conclusions as to any of the components discussed above, or may consider other forms of compensation.

The Base Salary Element

With respect to the retention objective, the Committee considers an executive's base salary to be the most critical component. Acting primarily on the basis of recommendations of the chief executive officer, the Committee adjusts other officers' base salaries annually, with the adjustment generally consisting of a 2% to 10% increase from the prior year's rate. Where exceptional circumstances apply, such as recruitment of a new executive officer, a promotion to executive officer status or a special need to retain an individual officer, the chief executive officer may recommend, and the Committee may approve, a larger increase.

The Company's general approach in setting the annual compensation of its named executive officers is to set those officers' base compensation by reference to their base rates for the preceding year. During the year ended December 2022, the Company's chief executive officer, Charles E. Bradley, Jr., received \$995,000 in base salary. In setting that rate in the first quarter of 2022, the Committee considered the base salary rate that the Company had paid in the prior year (\$995,000), the desirability of providing an annual increase, the desirability of ensuring retention of the services of the Company's incumbent chief executive officer, the Company's financial performance, and the levels of chief executive officer compensation prevailing among other financial services companies. The Committee considered whether to adjust officers' base compensation for 2022, and determined not to increase the base rate for the chief executive officer or the other named executive officers.

The Annual Incentive Bonus (EMB) Element

To encourage executive officers and key management personnel to exercise their best efforts and management skills toward causing the Company to meet its overall objective, and toward achieving designated specific individual objectives, the Company has implemented an Executive Management Bonus Plan, with annual payouts. Under the Company's bonus plan as applied to the year ended December 2022, the Company's executive vice presidents were eligible to receive a cash bonus of up to 140% of their base salaries, and the Company's senior vice presidents were eligible to receive a cash bonus of up to 110% of their base salaries. The chief executive officer was eligible to receive a cash bonus of up to 600% of his base salary. The implementation of this element for the named executive officers for the year 2022 is discussed below.

The Long-Term Incentive Compensation Element

The Committee also awards incentive and non-qualified stock options under the Company's stock option plans. Such awards are designed to assist in the retention of key executives and management personnel and to create an incentive to create shareholder value over a sustained period of time. The Company believes that stock options are a valuable tool in compensating and retaining employees. During the year ended December 31, 2022, the Committee granted stock options to the Company's executive officers. All such grants were awarded on January 24, 2022 and June 24, 2022, and all carry exercise prices equal to the market price for the Company's common stock at the date of grant. The terms of such options are described below, under the caption "Grants of Plan-Based Awards in Last Fiscal Year." The numbers of shares made subject to each of the option grants were based on various factors relating to the responsibilities of the individual officers and to the extent of previous grants to such individuals.

Because the exercise price of all options granted is equal to or above the fair market value of the Company's common stock on the date of grant, the option holders may realize value only if the stock price appreciates from the price on the date the options were granted. This design is intended to focus executives on the enhancement of shareholder value over the long term.

Other Elements

The Company also maintains certain broad-based employee benefit plans, such as medical and dental insurance, and a qualified defined contribution retirement savings plan (401(k) plan), in which executive officers are permitted to participate. Such officers participate on the same terms as non-executive personnel who meet applicable eligibility criteria, and are subject to any legal limitations on the amounts that may be contributed or the benefits that may be payable under the plans. The Company does not maintain any form of defined benefit pension or retirement plan in which executive officers may participate, nor does it maintain any form of supplemental retirement savings or supplemental deferred compensation plan.

Exercise of Discretion

In exercising its discretion as to the level of executive compensation and its components, the Committee considers a number of factors. Members of the Committee conduct informal surveys of compensation paid to comparable executives within and without the consumer finance industry. The Committee finds these data useful primarily in evaluating the overall level of compensation paid or to be paid to the Company's executive officers. Financial factors considered included earnings, revenue, originations, and budget attainment. Operational factors considered included individual and group management goals; indicators of the performance and credit quality of the Company's servicing portfolio, including levels of delinquencies and charge-offs; and indicators of successful management of personnel, including employee stability. All of such factors are assessed with reference to the judgment of the Committee as to the degree of difficulty of achieving desired outcomes. With respect to payment of annual bonuses and grants of

stock options, the Committee also takes note of factors relating to the degree of the Company's success over the most recent year.

Specific Objectives and Evaluation

In the first quarter of 2022 the compensation committee designated specific objectives with respect to the chief executive officer to be accomplished within the year 2022, and fixed weights to be associated with each such objective. The chief executive officer proposed to the committee specific annual objectives with respect to each other executive officer of the company, which the committee, after making certain modifications, approved. These objectives and the Committee's administration of the annual incentive bonus element of compensation are discussed in detail below, under the heading " - Grants of Plan-Based Awards in Last Fiscal Year - Executive Management Bonus Plan."

Grants of Options

The Committee's award of stock options to the Company's officers in January 2022 included option grants to the chief executive officer and in June 2022 included option grants to the chief executive officer and the other named executive officers. In determining the appropriate level of such grant, the Committee considered the long-term performance of the chief executive officer and the desirability of providing significant incentive for future performance, as well as the desirability of ensuring that officer's continued retention by the Company, and the various factors noted above with respect to option grants generally. These grants and the Committee's administration of the long-term incentive element of compensation are discussed in detail below, under the heading " - Grants of Plan-Based Awards in Last Fiscal Year - Equity Incentives."

Stock Ownership, Hedging and Pledging

Our board of directors and compensation committee have considered whether to establish a minimum stock ownership goal for members of our senior management. We have elected not to do so, considering that such a policy would either be strict and mandatory, in which case it would undermine the compensatory objectives of our equity compensation plans, or would be merely hortatory, in which case it could be expected to have little effect. We've also noted that the multiyear vesting terms of the equity incentives granted under our plans have the effect of aligning our executives' individual personal financial incentives with the future price performance of the Company's stock.

As part of our comprehensive compliance policy, we remind all company executive officers of the mandatory legal prohibition on selling short company shares. We also prohibit company executive officers from entering into transactions that would have the effect of causing those individuals to benefit from a decline in the price of the company stock, such as the purchase of "put" options. We prohibit such "hedging" transactions but we do not find it appropriate to prohibit our executive officers from pledging their shares of company stock as security for a loan. We believe that the beneficial incentives of owning company stock remain substantially the same with or without such a pledge.

Summary of Compensation

The following table summarizes all compensation earned during the three fiscal years ended December 31, 2022 by the Company's chief executive officer, its chief financial officer, and the other three most highly compensated individuals (such six individuals, the "named executive officers") who were serving in such position or as executive officers at any time in 2022. It lists their names, their principal positions in which they served in those years, and each component of compensation paid with respect to those years.

Summary Compensation Table

| <i>Name and Principal Position (1)</i> | <i>Year</i> | <i>Salary</i> | <i>Non-Equity Incentive Plan Compensation</i> | <i>Option Awards (2)</i> | <i>All Other Compen- sation (3)</i> | <i>Total</i> |
|---|-------------|---------------|---|------------------------------|---|--------------|
| Charles E. Bradley, Jr. Chief Executive Officer | 2022 | \$ 995,000 | \$ 3,980,000 | \$ 5,885,850 | \$ 351 | \$10,861,201 |
| | 2021 | 995,000 | 2,900,000 | 795,300 | 360 | 4,690,660 |
| | 2020 | 995,000 | 2,600,000 | 318,696 | 360 | 3,914,056 |
| Michael T. Lavin President & Chief Operating Officer | 2022 | 411,000 | 575,000 | 448,200 | 351 | 1,434,551 |
| | 2021 | 411,000 | 575,000 | 238,590 | 360 | 1,224,950 |
| | 2020 | 411,000 | 493,000 | 199,185 | 360 | 1,103,545 |
| Danny Bharwani Executive Vice President | 2022 | 331,000 | 324,000 | 298,800 | 351 | 954,151 |

| & Chief Financial Officer | | | | | | |
|---------------------------------|------|---------|---------|---------|-----|-----------|
| Teri L. Robinson | 2022 | 368,000 | 401,000 | 298,800 | 351 | 1,068,151 |
| Executive Vice President | 2021 | 368,000 | 403,000 | 159,060 | 360 | 930,420 |
| - Sales & Originations | 2020 | 368,000 | 355,000 | 106,232 | 360 | 829,592 |
| Laurie A. Straten | 2022 | 368,000 | 361,000 | 298,800 | 351 | 1,028,151 |
| Executive Vice President | 2021 | 368,000 | 359,000 | 159,060 | 360 | 886,420 |
| - Servicing | 2020 | 368,000 | 355,000 | 106,232 | 360 | 829,592 |
| Jeffrey P Fritz | 2022 | 411,000 | - | - | 351 | 411,351 |
| Former Executive Vice President | 2021 | 411,000 | 401,000 | 238,590 | 360 | 1,050,950 |
| & Chief Financial Officer | 2020 | 411,000 | 327,000 | 119,511 | 360 | 857,871 |

- (1) Mr. Bharwani was appointed chief financial officer of the Company in September 2022. Mr. Fritz retired as chief financial officer and executive vice president in September 2022.
- (2) Represents the dollar value accrued for financial accounting purposes in connection with the grant of such options, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 and SFAS 123R. Value was estimated using a Black-Scholes model for 2020, 2021 and 2022. For the options granted on January 24, 2022, the weighted average fair value per option was \$5.8558, based on assumptions of 4.11 years expected life, expected volatility of 75.26%, and a risk-free rate of 1.43%. For the options granted on June 24, 2022, the weighted average fair value per option was \$4.98, based on assumptions of 4.11 years expected life, expected volatility of 75.15%, and a risk-free rate of 3.13%. For the year 2021 the weighted average fair value per option was \$2.6510, based on assumptions of 4.11 years expected life, expected volatility of 71.38%, and a risk-free rate of 0.51%. For the year 2020 the weighted average fair value per option was \$1.33, based on assumptions of 4.11 years expected life, expected volatility of 72.10%, and a risk-free rate of 0.26%. In all cases, we assumed a dividend yield of 0.0%.
- (3) Amounts in this column represent premiums paid by the Company for group life insurance.

Grants of Plan-Based Awards in Last Fiscal Year

Equity Incentives

In the year ended December 31, 2022, we did not grant any stock awards or stock appreciation rights to any of our named executive officers. We granted options to the chief executive on January 24, 2022 (the "January Options") and to substantially all of our executive officers on June 24, 2022. The option grants noted in the tables above and below were awarded to the named executive officers as part of those grants. We also granted awards under our Executive Management Bonus Plan, which were evaluated and paid out after the end of the year. The amounts paid are shown in the table above (Summary Compensation Table) as "Non-Equity Incentive Plan Compensation."

In the January 24, 2022 grant, the chief executive officer received an option to purchase 750,000 shares of the Company's common stock at the market closing price (\$10.32 per share) on the date of grant, with such right to purchase to become exercisable in increments of 25% on each of the first through fourth anniversaries of the grant date, and to expire on the seventh anniversary. The January Options were issued following cancellation of certain options granted to the chief executive officer in 2013.

In the June 24, 2022 grant, the chief executive officer received an option to purchase 300,000 shares of the Company's common stock at the market closing price (\$10.25 per share) on the date of grant, with such right to purchase to become exercisable in increments of 25% on each of the first through fourth anniversaries of the grant date, and to expire on the seventh anniversary. Each of the following executive officers of the Company received a grant on June 24, 2022 on the same terms: Mr. Lavin received such a grant with respect to 90,000 shares, and Mr. Bharwani, Ms. Robinson and Ms. Straten each received such a grant with respect to 60,000 shares.

The table below provides information regarding the awards granted to the named executive officers in 2022.

Grants of Plan-Based Awards

| Name | Estimated future payouts under non-equity incentive plan awards | | | Grant Date | Number of Shares Underlying Options | Exercise Price | Grant Date Fair Value |
|--------------|---|--------------|--------------|------------|-------------------------------------|----------------|-----------------------|
| | Threshold | Target | Maximum | | | | |
| Mr. Bradley | - | - | - | 1/24/2022 | 750,000 | \$ 10.32 | \$ 4,391,850 |
| | - | - | - | 6/24/2022 | 300,000 | \$ 10.25 | 1,494,000 |
| | \$ - | \$ 5,970,000 | \$ 5,970,000 | - | - | - | - |
| Mr. Lavin | - | - | - | 6/24/2022 | 90,000 | \$ 10.25 | 448,200 |
| | \$ - | 575,400 | 575,400 | - | - | - | - |
| Mr. Bharwani | - | - | - | 6/24/2022 | 60,000 | \$ 10.25 | 298,800 |
| | \$ - | 364,100 | 364,100 | - | - | - | - |
| Ms. Robinson | - | - | - | 6/24/2022 | 60,000 | \$ 10.25 | 298,800 |

| | | | | | | | | | |
|-------------|----|---|---------|---------|-----------|--------|----|-------|---------|
| | \$ | - | 404,800 | 404,800 | - | - | - | - | |
| Ms. Straten | | - | - | - | 6/24/2022 | 60,000 | \$ | 10.25 | 298,800 |
| | \$ | - | 404,800 | 404,800 | - | - | - | - | |

The “target” and “maximum” figures appearing in the table above represent the *maximum* cash payout under the individual executives’ Executive Management Bonus Plan awards as of the date the incentive was fixed. The actual payout to each individual named in the table above has been determined and paid prior to the date of this report. That amount was in almost each case less than the maximum (approximately 67% of the maximum, in the case of the chief executive). The respective actual payments are described below, and appear above in the Summary Compensation Table under the heading “Non-Equity Plan Compensation.” Because each non-equity incentive plan award has been settled and paid, the future payout under such awards as of the date of this report is in each case zero. The “grant date fair value” figures appearing in the table above, which are the computed fair values of stock option awards, are computed as described in note 2 to the Summary Compensation Table.

Executive Management Bonus Plan

The Executive Management Bonus Plan award granted to the chief executive officer, Mr. Bradley, called for him to meet as many as possible of seven separate operational and financial objectives within the year 2022. The Compensation Committee assigned to each of those objectives a value as a percentage of base salary. The objectives and their weightings were as follows: to meet or exceed the Company’s quarterly budgeted earnings (25% each quarter, total of 100%), to execute four rated securitization transactions (25% each, 100% total), to increase the Company’s annual originations of receivables to each of four targets (100% in the aggregate, creditable in increments of 25% for reaching aggregate amounts of \$1.1 billion, \$1.15 billion, \$1.20 billion, and \$1.25 billion), to originate \$50 million each of non-prime and deep independent dealer paper (100% in the aggregate, creditable in increments of 50% for each of the origination targets), to maintain the annualized delinquency rate or lower by one percent (25% if the rate is maintained or 50% if the rate is lowered by one percent), to maintain the annualized loss rate or lower by one percent (25% if the rate is maintained or 50% if the rate is lowered by one percent) and to cause the Company’s common stock to trade in excess of each of four targets (100% in the aggregate, creditable in increments of 25% for reaching prices of \$12.00, \$13.00, \$14.00, and \$15.00 per share).

The total of the seven weightings is 600%; accordingly, the target and maximum possible value to that officer of the award was 600% of his base salary for 2022.

In a series of meetings, the committee evaluated the chief executive’s performance in comparison to the goals. The Compensation Committee determined that the budget objective was met in three of the four quarters of 2022 and credited the chief executive with three quarters of the maximum value, or 75%.

The Committee noted that the Company had executed four rated securitizations during the year, representing the full creditable performance of 100%. It determined that our originations volume exceeded \$1.85 billion for the year, representing creditable performance in the full amount of 100%.

The Committee noted that the Company exceeded the origination targets for non-prime and deep independent dealer paper and credited the chief executive with the full 100% designated for that objective. The Committee also determined that the annualized delinquency rates were not maintained or lowered and found no credit was earned in that respect. The Committee found that the annualized loss rate was lowered by less than one percent and credited the chief executive 25%.

The Committee noted that the stock price objective was not met with respect to any of the four targets and found no credit was earned in that respect.

The aggregate valuation of all creditable performance for the chief executive officer was thus 400%, which would imply a bonus payment under our Executive Management Bonus Plan of \$3,980,000. The Committee determined that the Company’s record earnings for 2022 made it reasonable to refrain from a discretionary reduction in computed earned bonus, and approved payments to the chief executive of a cash bonus in the full implied amount.

The Executive Management Bonus Plan awards granted to the named executive officers other than the chief executive officer are evaluated on a more subjective basis, and were set by the Compensation Committee in consultation with and on the recommendation of the chief executive officer. Factors used in determining the amount of annual bonus for executive officers who are executive vice presidents of the Company, including one of the named executive officers, Mr. Lavin, who was executive vice president of the Company in 2022 until Mr. Lavin’s promotion to president in December of 2022, are these: (I) an evaluation of the executive’s skills and performance, 30%, (II) whether the executive has met two individual objectives approved by the compensation committee, 18% in aggregate, (III) whether the Company as a whole has met or exceeded budget targets, 12%, (IV) a subjective evaluation of that executive’s departments, 30%, and (V) a discretionary allocation recommended by the chief executive officer and approved by the compensation committee, 50%. Mr. Fritz was not eligible to participate in the Executive Management Bonus Plan as a result of Mr. Fritz’s retirement as chief financial officer and executive vice president.

bonus of 140% of base compensation.

Similar factors are applied in determining the amount of annual bonus for executive officers who are senior vice presidents of the Company, including the named executive officers who served as senior vice presidents for the majority of 2022 until their promotions in the fourth quarter of 2022, Mr. Bharwani, Ms. Robinson, and Ms. Straten: (I) skills and performance, 30%, (II) two individual objectives, 18%, (III) Company budget, 12%, (IV) subjective evaluation of that executive's department, 20%, and (V) discretionary allocation, 30%, resulting in a maximum bonus of 110% of base compensation.

Following the end of the year 2022, our compensation committee evaluated each named executive officer's performance in relation to these standards and goals. The Company met its overall annual budget target, and each officer accordingly received full credit with respect to that target.

With respect to the individual factors, the compensation committee, acting in part on the advice of our chief executive officer, determined that creditable performance for 2022 for each named executive officer other than the chief executive officer was as set forth below:

| | <i>Maximum percentage</i> | <i>Creditable percentage</i> | <i>Base Salary</i> | <i>Result (rounded to nearest \$1000)</i> |
|--------------|---------------------------|------------------------------|--------------------|---|
| Mr. Lavin | 140% | 140% | \$411,000 | \$575,000 |
| Mr. Bharwani | 110 | 98 | 331,000 | 324,000 |
| Ms. Robinson | 110 | 109 | 368,000 | 401,000 |
| Ms. Straten | 110 | 98 | 368,000 | 361,000 |

On that basis, the Compensation Committee approved payments to these named executive officers in the amounts shown in the rightmost column.

Outstanding Equity Awards at Fiscal Year-end

The following table sets forth as of December 31, 2022 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 exercise price and expiration date of each such option. Each option referred to in the table was granted at an option price per share no less than the fair market value per share on the date of grant. None of such individuals holds a stock award; accordingly, only information concerning option awards is presented.

| <i>Name</i> | <i>Number of securities underlying unexercised options (exercisable)</i> | <i>Number of securities underlying unexercised options (unexercisable)</i> | <i>Option exercise price</i> | <i>Option expiration date</i> |
|-------------------------|--|--|------------------------------|-------------------------------|
| Charles E. Bradley, Jr. | 70,001 | - | \$ 6.86 | 2/1/2023 |
| | 300,000 | - | \$ 3.48 | 5/12/2023 |
| | 300,000 | - | \$ 4.35 | 5/17/2024 |
| | 300,000 | - | \$ 3.48 | 5/9/2025 |
| | 225,000 | 75,000(1) | \$ 3.53 | 8/8/2026 |
| | 120,000 | 120,000(2) | \$ 2.47 | 6/1/2027 |
| | 75,000 | 225,000(3) | \$ 4.95 | 8/3/2028 |
| | - | 750,000(4) | \$ 10.32 | 1/24/2029 |
| - | 300,000(5) | \$ 10.25 | 6/24/2029 | |
| Michael T. Lavin | 75,000 | - | \$ 6.86 | 2/1/2023 |
| | 60,000 | - | \$ 7.97 | 5/7/2023 |
| | 90,000 | - | \$ 3.48 | 5/12/2023 |
| | 90,000 | - | \$ 4.35 | 5/17/2024 |
| | 90,000 | - | \$ 3.48 | 5/9/2025 |
| | 67,500 | 22,500(1) | \$ 3.53 | 8/8/2026 |
| | 75,000 | 75,000(2) | \$ 2.47 | 6/1/2027 |
| | 22,500 | 67,500(3) | \$ 4.95 | 8/3/2028 |
| - | 90,000(5) | \$ 10.25 | 6/24/2029 | |

| | | | | |
|------------------|-----------|-----------|-----------|-----------|
| Danny Bharwani | 25,000 | - | \$ 6.86 | 2/1/2023 |
| | 30,000 | - | \$ 7.97 | 5/7/2023 |
| | 120,000 | - | \$ 3.48 | 5/12/2023 |
| | 60,000 | - | \$ 4.35 | 5/17/2024 |
| | 60,000 | - | \$ 3.48 | 5/9/2025 |
| | 45,000 | 15,000(1) | \$ 3.53 | 8/8/2026 |
| | 30,000 | 30,000(2) | \$ 2.47 | 6/1/2027 |
| | 15,000 | 45,000(3) | \$ 4.95 | 8/3/2028 |
| - | 60,000(5) | \$ 10.25 | 6/24/2029 | |
| Teri L. Robinson | 60,000 | - | \$ 6.86 | 2/1/2023 |

| | | | | | |
|-------------------|--------|-----------|----|-------|-----------|
| | 60,000 | - | \$ | 7.97 | 5/7/2023 |
| | 60,000 | - | \$ | 3.48 | 5/12/2023 |
| | 60,000 | - | \$ | 4.35 | 5/17/2024 |
| | 60,000 | - | \$ | 3.48 | 5/9/2025 |
| | 45,000 | 15,000(1) | \$ | 3.53 | 8/8/2026 |
| | 40,000 | 40,000(2) | \$ | 2.47 | 6/1/2027 |
| | 15,000 | 45,000(3) | \$ | 4.95 | 8/3/2028 |
| | - | 60,000(5) | \$ | 10.25 | 6/24/2029 |
| Laurie A. Straten | 25,000 | - | \$ | 6.86 | 2/1/2023 |
| | 90,000 | - | \$ | 7.97 | 5/7/2023 |
| | 60,000 | - | \$ | 3.48 | 5/12/2023 |
| | 60,000 | - | \$ | 4.35 | 5/17/2024 |
| | 60,000 | - | \$ | 3.48 | 5/9/2025 |
| | 45,000 | 15,000(1) | \$ | 3.53 | 8/8/2026 |
| | 40,000 | 40,000(2) | \$ | 2.47 | 6/1/2027 |
| | 15,000 | 45,000(3) | \$ | 4.95 | 8/3/2028 |
| | - | 60,000(5) | \$ | 10.25 | 6/24/2029 |
| Jeffrey P. Fritz | 60,000 | - | \$ | 6.86 | 2/1/2023 |
| | 60,000 | - | \$ | 7.97 | 5/7/2023 |
| | 90,000 | - | \$ | 3.48 | 5/12/2023 |
| | 90,000 | - | \$ | 4.35 | 5/17/2024 |
| | 90,000 | - | \$ | 3.48 | 5/9/2025 |
| | 67,500 | 22,500(1) | \$ | 3.53 | 8/8/2026 |
| | 45,000 | 45,000(2) | \$ | 2.47 | 6/1/2027 |
| | 22,500 | 67,500(3) | \$ | 4.95 | 8/3/2028 |

(1) Becomes exercisable as to the unexercisable portion on August 8, 2023.

(2) Becomes exercisable as to cumulative increments of one-half of the unexercisable portion on June 1, 2023 and 2024.

(3) Becomes exercisable as to cumulative increments of one-third of the unexercisable portion on August 3, 2023, 2024 and 2025.

(4) Becomes exercisable as to cumulative increments of 25% of the unexercisable portion on January 24, 2023, 2024, 2025, and 2026.

(5) Becomes exercisable as to cumulative increments of 25% of the unexercisable portion on June 24, 2023, 2024, 2025, and 2026.

Option Exercises in Last Fiscal Year

All of the six named executive officers exercised stock options during 2022. The table below shows the realized value and the number of options exercised for those individuals. None of our officers hold stock awards; accordingly, no stock awards vested during 2022.

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Option Exercises and Stock Vested

| | <i>Value realized on exercise (1)</i> | <i>Number of shares acquired on exercise</i> |
|--------------|---------------------------------------|--|
| Mr. Bradley | \$4,442,600 | 600,000 |
| Mr. Lavin | 947,484 | 120,000 |
| Mr. Bharwani | 472,020 | 55,000 |
| Ms. Robinson | 928,140 | 110,000 |
| Ms. Straten | 586,970 | 85,000 |
| Mr. Fritz | 1,278,840 | 140,000 |

(1) The value realized is the difference between the fair market value of the Company's common stock on the date of exercise (the closing price reported by Nasdaq) and the exercise price of the option.

Executive Management Bonus Plan (Non-equity Incentive Plan)

The salary and cash bonus of the named executive officers are determined by the Compensation Committee. The compensation appearing in the Summary Compensation Table above under the caption "Non-Equity Incentive Plan Compensation" is paid pursuant to an executive management bonus plan (the "EMB Plan"). The EMB Plan is administered by the Compensation Committee. Among other things, the Compensation Committee selects participants in the EMB Plan from among the Company's executive officers and determines the performance goals, target amounts and other terms and conditions of awards under the EMB Plan. With respect to officers other than the chief executive officer, determinations of base salary and of criteria relating to the EMB Plan are based in part on evaluations of such officers prepared by the chief executive officer, which are furnished to and discussed with the Compensation Committee.

Director Compensation

Throughout 2022, we paid our non-employee directors a retainer of \$6,000 per month, with an additional fee of \$700 per month for

service on a board committee (\$1,200 for a committee chairman). Non-employee directors also received *per diem* fees of \$1,000 for attendance in person at meetings of the board of directors, or \$500 for attendance by telephone. No *per diem* fees are paid for attendance at committee meetings. The Board in 2022 approved issuance to each non-employee director of options to purchase an aggregate of 30,000 shares. The exercise prices of all such options are the closing price of the Company's common stock on the date of grant, which was \$10.25 per share. The following table summarizes compensation received by our directors for the year 2022:

| <i>Name of Director</i> | <i>Fees Earned</i> | | <i>Total</i> |
|-----------------------------|----------------------------|--------------------------|--------------|
| | <i>or Paid in Cash (1)</i> | <i>Option Awards (2)</i> | |
| Chris A. Adams (3) | \$60,700 | \$163,800 | \$224,500 |
| Charles E. Bradley, Jr. (4) | - | - | - |
| Stephen H. Deckoff (5) | 18,500 | - | 18,500 |
| Louis M. Grasso | 84,400 | 163,800 | 248,200 |
| William W. Grounds | 92,300 | 163,800 | 256,100 |
| Brian J. Rayhill | 107,200 | 163,800 | 271,000 |
| William B. Roberts | 82,400 | 163,800 | 246,200 |
| James E. Walker III (5) | 18,500 | - | 18,500 |
| Gregory S. Washer | 98,800 | 163,800 | 262,600 |
| Daniel S. Wood | 107,200 | 163,800 | 271,000 |

(1) This column reports cash compensation earned in 2022 for Board and committee service.

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2022 fiscal year for the fair value of stock options granted to the directors in 2022. The fair value was estimated using a binomial option-pricing model in accordance with SFAS 123R. The fair value per option was \$5.46, based on assumptions of 3.24 years expected life, expected volatility of 80.31%, expected dividend yield of 0.0%, and a risk-free rate of 3.11%. In addition to the stock option awards granted in 2022, our directors held at December 31, 2022 option awards granted in previous years. The total options held at December 31, 2022 represent the right to purchase shares as follows: Mr. Bradley, 2,860,001 shares; Mr. Adams, 330,000 shares; Mr. Grasso, 90,000 shares; Mr. Grounds, 30,000 shares; Mr. Rayhill, 385,000 shares; Mr. Roberts, 60,000 shares; Mr. Washer, 270,000 shares; and Mr. Wood, 345,000 shares.

(3) Mr. Adams was not reelected as director at the shareholder meeting held August 25, 2022.

(4) Mr. Bradley's compensation as chief executive officer of the Company is described elsewhere in this report. He received no additional compensation for service on the Company's Board of Directors.

(5) Mr. Deckoff and Mr. Walker were each elected as a director at the shareholder meeting held August 25, 2022 and did not receive any option awards issued before then.

Pension Plans

The Company's officers do not participate in any pension or retirement plan, other than a tax-qualified defined contribution plan (commonly known as a 401(k) plan).

Potential Payments Upon Termination or Change of Control

This section provides information regarding payments and benefits to the named executive officers that would be triggered by termination of the officer's employment (including resignation, or voluntary termination; severance, or involuntary termination; and retirement) or a change of control of the Company.

Each of the named executive officers is an at-will employee and, as such, does not have an employment contract. In addition, if the officer's employment terminates for any reason other than a change of control of the Company, any unvested stock options are terminated, and vested options become subject to accelerated expiration: ordinarily three months following separation from service, or twelve months in the case of disability, retirement or death. Accordingly, there are no payments or benefits that are triggered by any termination event (including resignation and severance) other than in connection with a change of control of the Company.

Benefits Triggered by Change of Control or Termination after Change of Control

Our stock option plans provide that each employee of ours who holds outstanding unexpired options under our stock option may have the right to exercise such options following a change of control of the Company, without regard to the date such option would first be exercisable. Each of the named executive officers holds such options. The "acceleration" of options is mandatory following certain changes of control, and subject to the discretion of the Compensation Committee following certain others. Acceleration is mandatory in the event of (i) the sale, or other disposition of substantially all of the Company's assets, or (ii) a merger or similar transaction in which shareholders of the Company hold less than 50% of the shares of the surviving entity; provided, however, that acceleration following a merger or similar transaction is mandatory only if the holder suffers a Qualifying Termination (defined below) within one year following the transaction, or if the surviving entity does not provide the holder with an equivalent award. Acceleration is also mandatory if a holder suffers a Qualifying Termination within one year following (iii) a change within a three-year period in the membership of a majority of the board of directors (excluding changes recommended by the board), or (iv) a person's acquisition of outstanding voting securities of the Company, other than directly from the Company and without approval of the board, resulting in that person's having beneficial ownership of greater than 25% of the Company.

Under our stock option plans, the Compensation Committee may exercise its discretion to provide for acceleration under other circumstances than those described above with respect to any particular stock option or class of stock options. The committee would expect to exercise its discretion with the intention of preserving the value of the stock option award. To date, such discretion has not been exercised. A "Qualifying Termination" is a termination of the holder's employment by the Company other than for cause, disability or death, or by the holder for "good reason" (principally relating to a material diminution in the holder's authority,

compensation or responsibilities, or a relocation of greater than 50 miles). The preceding description applies to options held by officers and employees. Options issued to non-employee directors accelerate without the exercise of discretion upon any of the four categories of change of control described above.

As of December 31, 2022, each of the named executive officers would realize a benefit if unvested stock options were to become immediately exercisable upon a change in control, based on the value of the shares underlying such options at the closing market price on December 30, 2022, which was \$8.85 per share. The respective amounts of such possible benefit are set forth in the following table:

| | <i>Potential Value Upon Acceleration</i> |
|--------------|--|
| Mr. Bradley | \$ 2,042,100 |
| Mr. Lavin | 861,450 |
| Mr. Bharwani | 446,700 |
| Ms. Robinson | 510,500 |
| Ms. Straten | 510,500 |
| Mr. Fritz | 670,050 |

Management Structure

The board of directors is responsible for overseeing the management of the Company. Its oversight is aimed at seeing to it that the Company's business is managed to meet our goals, and that the interests of the shareholders are served.

Charles E. Bradley, Jr. currently serves as both the chairman of the board and our chief executive officer, and is the only member of our board who is not independent of the Company. Our board has chosen not to designate any individual formally as the lead independent director. Each director retains his full oversight responsibility.

Our board structure supports the independence of our non-management directors. Our audit committee, compensation committee and nominating committee are each composed solely of independent directors. Our bylaws provide that any two directors have the authority to call meetings of the board of directors, as do specified officers, including the president and the secretary. To enhance the possible use of that authority by independent directors, the corporate secretary is under standing instructions to call a meeting at the instance of any one director.

The board believes that combining the chairman and chief executive officer positions is currently the most effective leadership structure given Mr. Bradley's in-depth knowledge of our business and industry and his demonstrated ability to formulate and implement strategic initiatives. Mr. Bradley is continuously involved in developing and implementing our strategies, working closely with the company's other senior executives to seek continued disciplined growth and excellence in operations. His close involvement in management places Mr. Bradley in the best position to decide which business issues require consideration by the independent directors of the board. In addition, having a combined chairman and chief executive officer enables us to speak with a unified voice to shareholders, customers and others concerned with our company. The board believes that combining the chief executive and chairman roles, as part of a governance structure that includes oversight of management responsibilities by independent directors, provides the preferred system for meeting the requirement that the Company be managed in the best interest of our shareholders.

Risk Oversight

The board's overall responsibility for directing the management of the Company includes risk oversight. The risk oversight function is performed at the board level, and by the Audit and Compensation Committees.

The board of directors as a whole in its regular meetings discusses and considers the risk inherent in the existing business of the Company and in proposed initiatives. Because the Company's business consists of extending consumer credit to individuals believed to be of higher risk than others (sub-prime credit), the assessment of the risk assumed in such extensions of credit is a primary consideration on the part of the board. Risk oversight is also a key function of the Audit and Compensation Committees.

The principal risk management function performed by the Audit Committee is the ongoing assessment of the credit estimates and allowances periodically recorded in the Company's books. The committee reviews that assessment regularly. Other risk assessments performed by the Audit Committee include assessments of contingent liabilities, and of other reserves and allowances.

The principal risk management functions performed by the Compensation Committee are its setting and evaluation of objectives for the chief executive officer, in connection with its administration of the executive management bonus plan. The committee recognizes that the company's business of extending subprime credit inherently includes a conflict between growing the business and managing the risk of credit losses: one means to increase the company's business is to offer credit on terms that are priced too low for the risk assumed. The Compensation Committee manages that risk by insisting that objectives to grow the business are qualified by a mandate that credit quality be maintained at appropriate levels. To some extent, such risk management is shared with the Audit Committee, which performs the primary oversight of whether credit risk assumed is reflected with adequate allowances in the Company's financial statements.

CEO Pay Ratio

The Dodd-Frank Reform and Consumer Protection Act includes a mandate that public companies disclose the ratio of the compensation of their CEO to their median employee. Our CEO-median employee pay ratio calculation for 2022 is 167:1. We determined the pay ratio by dividing the total 2022 compensation of the CEO as disclosed in the Summary Compensation Table by the total 2022 compensation of the median employee, using the same components of compensation as used in the Summary Compensation Table for the CEO.

There have been no changes to our employee population or compensation arrangements that we believe would result in a significant change in the pay ratio. Accordingly, we have computed the ratio by reference to the same employee who we identified as our median employee for the year 2020, who was determined using the compensation of employees who were actively employed on December 31, 2020. We then computed the ratio by reference to that employee's total compensation for the year 2022, which was \$65,150. The total compensation of the CEO Charles E. Bradley, Jr. in 2022 was \$10,861,201.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The table below sets forth the number and percentage of shares of our Common Stock (our only class of voting securities) owned beneficially as of April 18, 2023 (the latest practicable date) by (i) each person known to us to own beneficially more than 5% of the outstanding Common Stock, (ii) each director and each named executive officer, and (iii) all of our directors and executive officers, 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. Percent of class is calculated by reference to 20,420,365 shares outstanding on April 18, 2023. Except as otherwise noted, each person named in the table has a mailing address at 3800 Howard Hughes Parkway, Suite 1400, Las Vegas, Nevada 89169.

| <i>Name and Address of Beneficial Owner</i> | <i>Amount and Nature of Beneficial Ownership (1)</i> | <i>Percent of Class</i> |
|---|--|-------------------------|
| Charles E. Bradley, Jr. | 5,278,676 | 24.0% |
| Stephen H. Deckoff | 5,127,165 (2) | 25.1% |
| Louis M. Grasso | 100,300 | * |
| William W. Grounds | 34,600 | * |
| Brian J. Rayhill | 457,031 | 2.2% |
| William B. Roberts | 960,078 | 4.7% |
| James E. Walker III | 0 | * |
| Gregory S. Washer | 602,803 | 2.9% |
| Daniel S. Wood | 472,808 | 2.3% |
| Danny Bharwani | 652,348 | 3.1% |
| Jeffrey P. Fritz (3) | 113,437 | * |
| Michael T. Lavin | 753,467 | 3.6% |
| Teri L. Robinson | 734,112 | 3.5% |
| Laurie A. Straten | 512,588 | 2.5% |
| All directors and executive officers combined (18 persons) | 17,237,165 (4) | 67.5% |
| Black Diamond Capital Management, L.L.C. 2187 Atlantic Street, 9 th Floor, Stamford, CT 06902 | 5,127,165 (2) | 25.1% |
| Dimensional Fund Advisors LP, Building One, 6300 Bee Cave Road, Austin, Texas, 78746 | 1,676,513 (5) | 8.2% |

*Less than 1%

- (1) Includes certain shares that may be acquired within 60 days after April 18, 2023 from the Company upon exercise of options, as follows: Mr. Bradley, 1,567,500 shares; Mr. Grasso, 90,000 shares; Mr. Grounds, 30,000 shares; Mr. Rayhill, 335,000 shares; Mr. Roberts, 60,000 shares; Mr. Washer, 220,000 shares; Mr. Wood, 285,000 shares; Mr. Bharwani, 360,000 shares; Mr. Lavin, 472,500 shares; Ms. Robinson, 360,000 shares; and Ms. Straten, 390,000 shares. Of Mr. Bradley's shares, 1,685,878 are pledged to secure loan(s) to him. 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 purchase stock in the Company indirectly by buying units in a mutual fund. Each "unit" in the mutual fund represents an interest in Company stock, cash and cash equivalents.
- (2) These shares are held directly by certain Black Diamond investment vehicles ("Black Diamond vehicles"). Black Diamond Capital Management, L.L.C. ("Black Diamond") exercises investment discretion on behalf of investment advisory affiliates that serve as investment advisers to the Black Diamond vehicles. Mr. Deckoff is the Managing Principal of Black Diamond. Mr. Deckoff disclaims beneficial ownership over the shares, except to the extent of its or his pecuniary interest therein.
- (3) Mr. Fritz retired as chief financial officer and Executive Vice President in September 2022.
- (4) Includes 5,131,272 shares that are not outstanding as of the date of this report, but which may be acquired within 60 days after April 18, 2023 upon exercise of options.
- (5) Based on a report on Schedule 13G/A filed by the named person on February 10, 2023.

The table below presents information regarding securities authorized for issuance under equity compensation plans, including the CPS 2006 Long-Term Equity Incentive Plan, as of December 31, 2022.

| Plan Category | Outstanding Options | Weighted average exercise price of Outstanding Options | Number of securities remaining available for future issuance under equity compensation plans |
|------------------------------------|---------------------|--|--|
| Plans approved by shareholders | 11,167,329 | \$5.21 | 2,661,330 |
| Plans not approved by shareholders | None | N/A | N/A |
| Total | 11,167,329 | \$5.21 | 2,661,330 |

Item 13. Certain Relationships and Related Transactions, and Director Independence

Subordinated Notes. The Company has offered and sold its subordinated notes in a continuous public offering. Executive officer Teri L. Robinson and former chief financial officer Jeff P. Fritz have purchased such notes directly from the Company in the offering, in each case on the same terms then offered to the public generally. The largest aggregate amount of principal outstanding on Ms. Robinson's notes in 2022 was \$815,850. The amount of principal outstanding as of April 28, 2023 was \$537,508. In 2022, the Company paid \$907,689 of principal on such notes, which includes principal paid more than once due to the renewal of matured notes during the year. That same year, the Company paid \$35,657 of interest at rates fixed at the time of purchase of each note. The interest rate on such notes ranges from 3.90% to 11.50%.

The largest aggregate amount of principal outstanding on Mr. Fritz's notes in 2022 was \$1,488,873. The amount of principal outstanding as of April 28, 2023 was \$1,432,494. In 2022, the Company paid \$526,058 of principal on such notes, which includes principal paid more than once due to the renewal of matured notes during the year. In that year, the Company paid \$42,904 of interest at rates fixed at the time of purchase of each note. The interest rate on such notes ranges from 3.90% to 8.15%.

Executive officer Steve Schween purchased such subordinated notes from the Company before he became an executive officer. The largest aggregate amount of principal outstanding on Mr. Schween's note in 2022 was \$665,460. The amount of principal outstanding as of April 28, 2023 was \$665,460. In 2022, the Company paid \$115,519 in interest at a rate fixed at the time of purchase of the note. The interest rate on the note is 12.25%.

Other Transactions. In October 2022, before Mr. Schween became an executive officer, the Limited Liability Company of which Mr. Schween is a member entered into a one-year contract with the Company to provide vehicle data services to the Company. The approximate dollar amount involved in the transaction and Mr. Schween's interest in the transaction is \$130,000.

Policy on Related Party Transactions and Director Independence. It is the Company's policy that transactions with related parties having a control or fiduciary relationship with the Company who personally benefit from such transactions may take place only if approved by the Audit Committee or by the members of the Company's Board of Directors who are disinterested with respect to the transaction, and independent in accordance with the standards for director independence prescribed by Nasdaq. Such policy is maintained in writing in the charter of the Audit Committee. The Audit Committee has given general approval to executive officer purchases of subordinated notes that are on terms and rates then available to the public, including the purchases by Ms. Robinson and Mr. Fritz. The transactions with Mr. Schween were not subject to approval because they were entered into before Mr. Schween was an executive officer.

The nine directors of the Company are Charles E. Bradley, Jr., Stephen H. Deckoff, Louis M. Grasso, William W. Grounds, Brian J. Rayhill, William B. Roberts, James E. Walker III, Gregory S. Washer, and Daniel S. Wood, of whom Messrs. Rayhill, Grasso, Washer, and Wood compose the Audit Committee. The Board of Directors has concluded that other than Mr. Bradley (who is the Company's chief executive officer), each of the other eight directors is independent in accordance with the director independence standards prescribed by Nasdaq, and has determined that none of them has a material relationship with the Company that would impair his independence from management or otherwise compromise his ability to act as an independent director.

Item 14. Principal Accounting Fees and Services

Fees Paid to Auditors

The following table sets forth the fees accrued or paid to the Company's independent registered public accounting firms for the years ended December 31, 2022 and 2021. Crowe Horwath LLP has served as the Company's independent registered public accounting firm since February 2009, and has reported on the Company's financial statements for the years ended December 31, 2008 through 2022.

| Audit and Non-Audit Fees | 2021 | 2022 |
|--------------------------|---------------------|---------------------|
| Audit Fees (1) | \$ 829,000 | \$ 920,000 |
| Audit-Related Fees (2) | 180,850 | 190,850 |
| Tax Fees (3) | 450,950 | 265,795 |
| All Other Fees | - | - |
| TOTAL | \$ 1,460,800 | \$ 1,376,645 |

(1) Audit fees relate to professional services rendered in connection with the audit of the Company's annual financial statements and internal control over financial reporting, quarterly review of financial statements included in the Company's Quarterly Reports on Form 10-Q, and audit services provided in connection with other statutory and regulatory filings.

(2) Audit-related fees comprise fees for professional services that are reasonably related to the performance of the audit or review of the Company's financial statements.

(3) The 2021 and 2022 tax fees represent services rendered in connection with preparation of state and federal tax returns for the Company and its subsidiaries.

Audit Committee Supervision of Principal Accountant

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. In the fiscal years ended December 31, 2022 and December 31, 2021, all services for which audit fees or audit related fees were paid were preapproved by the Audit Committee as a whole, or pursuant to such delegated authority.

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 audit firm, and has concluded that such independence is not and was not impaired.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(3) Exhibits:

The exhibits listed in the Exhibit Index in Part IV, Item 15. "Exhibits and Financial Statement Schedules" of the 2022 Form 10-K were filed or incorporated by reference as part of the 2022 Form 10-K and the exhibits listed in the Exhibit Index below are filed as part of this Amendment.

EXHIBIT INDEX

| | |
|------|--|
| 31.1 | Rule 13a-14(a) certification by Chief Executive Officer |
| 31.2 | Rule 13a-14(a) certification by Chief Financial Officer |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

SIGNATURES

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

CONSUMER PORTFOLIO SERVICES, INC. *(registrant)*

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

Charles E. Bradley, Jr., *Chief Executive Officer*

May 1, 2023