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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholder
DriveTime Automotive Group, Inc
DT Acceptance Corporation

We have audited the accompanying consolidated balance sheets of DriveTime Automotive Group, Inc. and DT Acceptance Corporation and their subsidiaries (collectively the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DriveTime Automotive Group, Inc. and DT Acceptance Corporation and their subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Phoenix, Arizona

March 19, 2010 (except for Note 17, as to which the date is May 10, 2010)

**DriveTime Automotive Group, Inc. and Subsidiaries
and DT Acceptance Corporation and Subsidiaries
Consolidated Balance Sheets**

	December 31,		March 31,	
	2008	2009	2009	2010
	(\$ in thousands)			
	(Unaudited)			
ASSETS				
Cash and Cash Equivalents	\$ 25,533	\$ 21,526	\$ 21,442	\$ 21,838
Restricted Cash and Investments Held in Trust	71,223	84,064	63,730	61,806
Finance Receivables	1,375,019	1,340,591	1,406,908	1,395,841
Allowance for Credit Losses	(242,600)	(218,259)	(246,100)	(222,109)
Finance Receivables, Net	1,132,419	1,122,332	1,160,808	1,173,732
Inventory	100,211	115,257	71,510	91,642
Property and Equipment, Net	51,479	51,374	49,610	49,832
Other Assets	49,873	37,527	40,560	36,425
Total Assets	<u>\$1,430,738</u>	<u>\$1,432,080</u>	<u>\$1,407,660</u>	<u>\$1,435,275</u>
LIABILITIES & SHAREHOLDER'S EQUITY				
Liabilities:				
Accounts Payable	\$ 4,712	\$ 5,060	\$ 8,501	\$ 9,748
Accrued Expenses and Other Liabilities	46,330	42,327	54,865	49,414
Accrued Expenses—Related Party	6,621	4,333	5,477	4,274
Portfolio Term Financings	334,529	795,857	408,183	706,715
Portfolio Warehouse Facilities	398,093	77,506	312,689	124,265
Other Secured Notes Payable	153,579	75,277	126,723	75,289
Other Secured Notes Payable—Related Party	26,000	62,088	33,028	62,088
Senior Unsecured Notes Payable	88,964	1,487	74,538	1,491
Senior Unsecured Notes Payable—Related Party	30,902	—	30,948	—
Subordinated Notes Payable—Related Party	75,000	75,000	75,000	75,000
Total Liabilities	<u>1,164,730</u>	<u>1,138,935</u>	<u>1,129,952</u>	<u>1,108,284</u>
Shareholder's Equity:				
Common Stock: DTAG—par value \$0.001 per share, 1,000 shares authorized, 100 shares issued and outstanding; DTAC—no par value, 1,000,000 shares authorized, 100 shares issued and outstanding.	—	—	—	—
Paid-in Capital	129,099	131,349	129,662	131,912
Retained Earnings	136,909	161,796	148,046	195,079
Total Shareholder's Equity	<u>266,008</u>	<u>293,145</u>	<u>277,708</u>	<u>326,991</u>
Total Liabilities & Shareholder's Equity	<u>\$1,430,738</u>	<u>\$1,432,080</u>	<u>\$1,407,660</u>	<u>\$1,435,275</u>

See accompanying notes to Consolidated Financial Statements.

**DriveTime Automotive Group, Inc. and Subsidiaries
and DT Acceptance Corporation and Subsidiaries
Consolidated Statements of Operations
For the Years Ended December 31, 2007, 2008, 2009, and
Three Months Ended March 31, 2009 and 2010**

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)			(Unaudited)	
Revenue:					
Sales of Used Vehicles	\$ 963,621	\$ 796,750	\$694,460	\$225,092	\$234,619
Interest Income	250,628	261,875	251,822	61,653	62,419
Total Revenue	<u>1,214,249</u>	<u>1,058,625</u>	<u>946,282</u>	<u>286,745</u>	<u>297,038</u>
Costs and Expenses:					
Cost of Used Vehicles Sold	575,234	477,255	394,362	125,262	142,522
Provision for Credit Losses	283,407	300,884	223,686	69,815	47,146
Secured Debt Interest Expense	63,719	74,129	86,142	21,041	19,716
Secured Debt Interest Expense—Related Party . . .	—	620	8,895	1,850	3,713
Unsecured Debt Interest Expense	12,982	13,170	3,781	2,634	54
Unsecured Debt Interest Expense—Related Party	—	9,163	11,848	3,158	2,258
Selling and Marketing	36,210	28,644	31,491	8,995	9,930
General and Administrative	143,692	145,447	137,657	41,697	31,620
General and Administrative—Related Party	10,326	14,114	12,943	4,179	3,008
Depreciation Expense	15,784	14,088	13,061	3,361	3,438
Gain on Extinguishment of Debt, net	—	(19,699)	(31,559)	(6,754)	—
Loss on Extinguishment of Debt, net—Related Party	—	—	1,248	—	—
Total Costs and Expenses	<u>1,141,354</u>	<u>1,057,815</u>	<u>893,555</u>	<u>275,238</u>	<u>263,405</u>
Income before Income Taxes	72,895	810	52,727	11,507	33,633
Income Tax Expense	1,000	1,090	730	370	350
Net Income / (loss)	<u>\$ 71,895</u>	<u>\$ (280)</u>	<u>\$ 51,997</u>	<u>\$ 11,137</u>	<u>\$ 33,283</u>

See accompanying notes to Consolidated Financial Statements.

**DriveTime Automotive Group, Inc. and Subsidiaries
and DT Acceptance Corporation and Subsidiaries
Consolidated Statements of Shareholder's Equity
Years Ended December 31, 2007, 2008, 2009, and
Three Months Ended March 31, 2010**

	Common Stock	Paid In Capital	Retained Earnings	Total Shareholder's Equity
	(\$ in thousands)			
Balances, December 31, 2006	\$ —	\$126,849	\$129,221	\$256,070
Net Income for the Year	—	—	71,895	71,895
Dividends paid	—	—	(51,194)	(51,194)
Balances, December 31, 2007	\$ —	\$126,849	\$149,922	\$276,771
Net Loss for the Year	—	—	(280)	(280)
Non-cash compensation expense	—	2,250	—	2,250
Dividends	—	—	(12,733)	(12,733)
Balances, December 31, 2008	\$ —	\$129,099	\$136,909	\$266,008
Net Income for the Year	—	—	51,997	51,997
Non-cash compensation expense	—	2,250	—	2,250
Dividends	—	—	(27,110)	(27,110)
Balances, December 31, 2009	\$ —	\$131,349	\$161,796	\$293,145
Net Income for the Period (unaudited)	—	—	33,283	33,283
Non-cash compensation expense (unaudited)	—	563	—	563
Dividends (unaudited)	—	—	—	—
Balances, March 31, 2010 (unaudited)	\$ —	\$131,912	\$195,079	\$326,991

See accompanying notes to Consolidated Financial Statements.

**DriveTime Automotive Group, Inc. and Subsidiaries
and DT Acceptance Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2007, 2008, 2009, and
The Three Months Ended March 31, 2009 and 2010**

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)			(Unaudited)	
Cash Flows from Operating Activities:					
Net Income / (Loss)	\$ 71,895	\$ (280)	\$ 51,997	\$ 11,137	\$ 33,283
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Provision for Credit Losses	283,407	300,884	223,686	69,815	47,146
Depreciation Expense	15,784	14,088	13,061	3,361	3,438
Non-cash compensation Expense	—	2,250	2,250	563	563
Amortization of Debt Issuance Costs and Debt Premium and Discount	5,438	16,822	14,701	5,825	2,367
(Gain) Loss from Disposal of Property and Equipment . .	(924)	3,557	(121)	10	(68)
Abandonment loss on Capitalized Real Estate and IT Projects	1,326	64	—	—	—
Increase in Finance Receivables	(959,517)	(789,360)	(686,214)	(220,171)	(226,661)
Collections and recoveries on Finance Receivables Principal	489,235	487,272	468,826	121,269	128,173
Changes in Accrued Interest Receivable and Loan Origination Costs	(7,691)	712	3,789	698	(58)
(Increase) Decrease in Inventory	(14,182)	36,431	(15,046)	28,701	23,615
(Increase) Decrease in Other Assets	(2,377)	(1,254)	14,325	5,918	(274)
(Decrease) Increase in Accounts Payable, Accrued Expenses and Other Liabilities	(17,903)	(17,711)	(3,479)	11,936	11,649
Increase (Decrease) in Accrued Expenses—Related Party	—	6,621	(2,288)	(1,144)	(59)
(Decrease) Increase in Income Taxes Payable	(463)	(108)	(176)	388	126
Net Cash (Used In) Provided By Operating Activities	(135,972)	59,988	85,311	38,306	23,240
Cash Flows from Investing Activities:					
Proceeds from Disposal of Property and Equipment	10,130	913	469	138	125
Purchase of Property and Equipment	(21,604)	(7,229)	(13,304)	(1,640)	(1,953)
Net Cash Used in Investing Activities	(11,474)	(6,316)	(12,835)	(1,502)	(1,828)

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)			(Unaudited)	
Cash Flows from Financing Activities:					
Decrease (Increase) in Restricted Cash	640	(3,701)	(11,846)	(1,219)	(2,479)
Deposits into Investments Held in Trust	(25,166)	(28,834)	(4,467)	—	—
Collections, Buybacks and Change in Investments Held in Trust	33,862	68,583	3,472	8,712	24,737
Decrease in Investments Held in Trust pre-fund balance	14,614	—	—	—	—
Additions to Portfolio Warehouse Facilities	940,480	1,083,126	968,112	306,757	98,500
Repayment of Portfolio Warehouse Facilities	(694,442)	(993,447)	(1,288,699)	(392,161)	(51,741)
Additions to Portfolio Term Financings	320,000	157,007	811,617	166,496	41,134
Repayment of Portfolio Term Financings	(465,795)	(437,541)	(350,181)	(92,842)	(130,194)
Additions to Other Secured Notes Payable	256,820	266,721	80,701	8,070	76
Repayment of Other Secured Notes Payable	(231,746)	(227,856)	(122,915)	(27,898)	(64)
Additions to Other Secured Notes Payable—Related Party	—	31,000	—	—	—
Repayment of Other Secured Notes Payable—Related Party	—	(5,000)	—	—	—
Additions to Senior Unsecured Notes Payable	54,149	—	—	—	—
Repayment of Senior Unsecured Notes Payable	—	(13,000)	(90,000)	(15,000)	—
Repayment of Senior Unsecured Notes Payable— Related Party	—	—	(32,000)	—	—
Additions to Subordinated Notes Payable—Related Party	—	75,000	—	—	—
Payment of Debt Issuance Costs	(4,018)	(29,705)	(13,167)	(1,810)	(1,069)
Dividend Distributions	(51,194)	(12,733)	(27,110)	—	—
Net Cash Provided By (Used In) Financing Activities	148,204	(70,380)	(76,483)	(40,895)	(21,100)
Net Increase (Decrease) in Cash and Cash Equivalents	758	(16,708)	(4,007)	(4,091)	312
Cash and Cash Equivalents at Beginning of Period	41,483	42,241	25,533	25,533	21,526
Cash and Cash Equivalents at End of Period	\$ 42,241	\$ 25,533	\$ 21,526	\$ 21,442	\$ 21,838
Supplemental Statement of Cash Flow Information:					
Interest Paid	\$ 72,089	\$ 89,374	\$ 96,401	\$ 28,345	\$ 19,889
Interest Paid—Related Party	\$ —	\$ 5,282	\$ 23,125	\$ 7,103	\$ 5,950
Income Taxes Paid	\$ 1,463	\$ 1,198	\$ 906	\$ (18)	\$ 2,840
Supplemental Statement of Non-Cash Investing and Financing Activities:					
Purchase of Property and Equipment Under Capital Lease	\$ —	\$ 48	\$ 625	\$ 149	\$ —
Disposal of Fully Depreciated Property & Equipment	\$ 5,745	\$ 13,676	\$ 5,241	\$ 3,513	\$ 654
Gain on Extinguishment of Debt, Net	\$ —	\$ 19,699	\$ 31,559	\$ 6,754	\$ —
Loss on Extinguishment of Debt, Net—Related Party	\$ —	\$ —	\$ (1,248)	\$ —	\$ —

See accompanying notes to Consolidated Financial Statements.

DriveTime Automotive Group, Inc. and Subsidiaries and DT Acceptance Corporation and Subsidiaries Notes to Consolidated Financial Statements

(1) Description of Business, Ownership Formation, Basis of Presentation, and Principles of Consolidation

Description of Business. DriveTime Automotive Group, Inc., (DTAG) and DT Acceptance Corporation (DTAC) (collectively “we,” “our,” and “us”), through wholly-owned subsidiaries, own and operate used automobile dealerships in the United States focusing on the sale and financing of used vehicles to the subprime market. The subprime market is comprised of customers with modest incomes who have experienced credit difficulties or have very limited credit histories. We finance substantially all the vehicles we sell through installment sales contracts (“loans”). We do not sell our loans to third party lenders or finance companies on a servicing released basis and, unlike pure finance companies, we do not purchase finance receivables from other sources. We have historically funded this portfolio primarily through portfolio warehouse facilities and portfolio term financings.

Ownership Formation. DTAG, a Delaware corporation, was incorporated in April 1996. In January 2004, DTAG elected S-corporation status for income tax purposes. In February 2003, the shareholders of DTAG formed DTAC. DTAC is an S-corporation for income tax purposes. Prior to January 4, 2008, the direct shareholders of DTAG and DTAC were Ernest C. Garcia II (Chairman) and the Garcia Family Trusts owning 95%, and Raymond C. Fidel (President and CEO) owning 5%. Effective January 4, 2008, Mr. Garcia purchased Mr. Fidel’s 5% interest in DTAG and DTAC. With this purchase, Mr. Garcia and the Garcia Family Trusts (Principal Shareholder) now own 100% of DTAG and DTAC.

Basis of Presentation. The accompanying consolidated financial statements include the accounts of DTAG and DTAC and their wholly-owned subsidiaries. These consolidated balance sheets have been adjusted to reflect Mr. Garcia’s basis in the Company through the application of push-down accounting, as it relates to his acquisition of the Company since 2002 when he acquired our predecessor, Ugly Duckling Corporation. The adjustments reflect the write-off of goodwill and reduction of property and equipment. Such adjustments were not considered material. Also included in the consolidated financial statements are wholly-owned special purpose subsidiaries, which are all “bankruptcy remote subsidiaries” formed in conjunction with our securitizations and other secured financing transactions. The assets of these special purpose subsidiaries secure the asset-backed securities or notes issued in conjunction with these transactions and generally would not be available to satisfy claims of our other creditors. Also included in the consolidated financial statements is a special purpose entity formed specifically for the purpose of our lending relationship on one of our portfolio warehouse facilities. See Note 7—Debt Obligations for further information regarding assets and liabilities of these subsidiaries.

Principles of Consolidation. The accompanying consolidated financial statements represent the consolidated financial information for DTAG and its subsidiaries and DTAC and its subsidiaries. The financial position and results of operations of these two entities are consolidated since these entities are wholly-owned by a principal shareholder, engage in significant intercompany transactions, and provide mutual operational and subordinated financial support. All intercompany accounts and transactions have been eliminated in consolidation for all periods presented and, although not material, certain prior period amounts have been reclassified to be consistent with current period financial statement presentation.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In management’s opinion, such unaudited interim financial information reflects all adjustments, consisting only of normal recurring adjustments, necessary to present our financial position and results of operations for the periods presented. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full fiscal year.

Relationship with Verde Investments, Inc. Verde Investments, Inc. (hereinafter referred to as “Verde”) is an Arizona corporation that is wholly-owned by Ernest C. Garcia II, our Chairman and sole shareholder. Verde engages in the acquisition, development, and long-term investment in real estate and other commercial assets. Mr. Garcia is the sole stockholder, president and director of Verde.

(2) Significant Accounting Policies

Cash & Cash Equivalents

We consider all highly liquid investments with original maturities at the date of purchase of three months or less to be cash equivalents. Periodically during the year, we maintain cash in excess of the amounts insured by the federal government.

Finance Receivables

Finance receivables consist of the aggregate principal balances of all loans in our active portfolio, which are collateralized by used vehicles sold, plus accrued interest receivable and direct loan origination costs. Finance receivables are comprised solely of loans related to used vehicles sold by us, all of which are simple interest loans which may be prepaid without penalty. We do not place loans on nonaccrual status since accounts are charged-off when the loan becomes contractually 91 days past due.

Charge-off Policy

The accrual of interest along with any unamortized loan origination costs, is discontinued and any accrued but unpaid interest is reversed and written-off when the loans are charged-off at 91 days contractually past due. Accounts which have been charged-off have been removed from finance receivables. Net charge-offs consist of finance receivable principal balances charged-off, net of any amounts received from vehicles recovered and sold at auction, sales tax refunds, and any subsequent collections on the charged-off accounts as well as an estimate of recoveries on loans previously charged-off (recovery receivables).

Allowance for Credit Losses

We maintain an allowance for credit losses on an aggregated basis. We accrue for estimated losses since it is probable that the amount will not be fully collectible and the amount of the loss can be reasonably estimated. The evaluation of the adequacy of the allowance for credit losses considers such factors as performance of the loan portfolio by month of origination (“static pool analysis”), the portfolio credit grade mix, our historical credit losses, the overall portfolio quality, delinquency status, the value of the underlying collateral, current economic conditions that may affect the borrowers’ ability to pay, and the overall effectiveness of collection efforts. This estimate of existing probable and estimable losses is primarily based on static pool analyses prepared for various segments of the portfolio utilizing historic loss experience, adjusted for the estimated impact of current economic factors. In management’s judgment, the allowance is maintained at a level that is adequate to provide for the estimate of probable credit losses inherent in our finance receivable portfolio. Charge-offs are recorded as a reduction to the allowance for credit losses. For previously charged-off accounts that are subsequently recovered, or portions thereof, the amount of such recovery is credited to the allowance for credit losses. On a quarterly basis management reviews the allowance for credit losses for reasonableness and adequacy. Adjustments to the allowance for credit losses as a result of our allowance analyses are recorded through the provision for credit losses.

Inventory

Inventory consists of used vehicles held-for-sale, or currently undergoing reconditioning, and is stated at the lower of cost or market value. Vehicle inventory cost is determined by specific identification. Direct and indirect vehicle reconditioning costs including parts and labor, costs to transport the vehicles to our dealership locations, and other incremental costs are capitalized as a component of inventory cost.

Property and Equipment

Repairs and maintenance costs that extend the life of an asset are capitalized. Property and equipment is stated at cost and is shown net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the assets, which range from three to 15 years for equipment, three to five years for furniture, three years for software, five to ten years for building improvements, and thirty years for buildings. Leasehold improvements are depreciated using the straight-line method over the lesser of the lease term or the estimated useful lives of the related improvements.

Capitalized Internally Developed Software

We capitalize direct costs of materials and services consumed in developing or obtaining internal use software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the development of software products for internal use, to the extent of the time spent directly on the project. Capitalization of costs begins during the development stage and ends when the software is available for general use. Amortization is computed using the straight-line method over the estimated economic life of the software.

Recovery Receivables

Recovery receivables represent estimated recoveries to be received on charged-off finance receivables, including proceeds from selling repossessed vehicles at auction, along with insurance, bankruptcy and deficiency collections. The recovery amount from selling repossessed vehicles at auction is a forecast of vehicles to be recovered from loans previously charged off and vehicles currently in our possession. With our extensive experience and historical database of auction recoveries, we estimate the number of units we will recover and the value that we will receive for these vehicles at auction. Our forecast utilizes historical data with respect to recovery rates, values, and time from charge-off to repossession. Changes in recovery receivables are treated as increases or decreases to net charge-offs and ultimately the allowance for credit losses. At December 31, 2008 and 2009 recovery receivables amounted to \$17.8 million and \$13.9 million, respectively, and at March 31, 2009 and 2010, recovery receivables amounted to \$14.1 million and \$12.1 million, respectively, and are included in other assets on the accompanying consolidated balance sheets.

Deferred Financing Costs

Costs relating to obtaining debt financing are capitalized and amortized over the term of the related debt using the effective interest method. Unamortized deferred financing costs at December 31, 2008 and 2009 were \$20.3 million and \$13.4 million, respectively, and \$16.9 million and \$12.0 million at March 31, 2009 and 2010, respectively. Net deferred financing costs are recorded as a component of other assets on the accompanying consolidated balance sheets. Amortization of deferred financing costs is recorded as component interest expense, and were \$4.9 million, \$15.0 million, and \$14.5 million for the years ended December 31, 2007, 2008, and 2009, and was \$4.8 million and \$2.4 million for the three months ended March 31, 2009 and 2010, respectively. When debt is paid in full prior to maturity, any unamortized deferred financing costs are removed from the balance sheet and either treated as a reduction of gain on extinguishment of debt, in the case of a repurchase of debt, or treated as interest expense if debt is paid in full prior to maturity.

Limited Warranty

We provide our DriveCare® limited warranty covering major mechanical and air-conditioning coverage, on every vehicle we sell. The warranty is included in the sales price of the vehicle and is not sold as a separate product. A liability for the estimated cost of vehicle repairs under our DriveCare® limited vehicle warranty program is established at the time a used vehicle is sold by charging costs of used vehicles sold. We currently offer no warranty outside of our DriveCare® limited warranty. The liability is evaluated for adequacy through an analysis based on the program's historical performance of warranty cost incurred per unit sold over the term of the warranty. Vehicles sold prior to December 1, 2009 are covered

for six months / 6,000 miles on major mechanical items. Starting with sales in December 2009, we extended our DriveCare® limited warranty plan from six months / 6,000 miles to 36 months / 36,000 miles, including oil changes at Sears automotive locations nationwide and 24/7 roadside assistance.

Revenue Recognition

Revenue from the sale of used vehicles is recognized upon delivery, when the sales contract is signed and the agreed-upon down payment or purchase price has been received. Sales of used vehicles include revenue from the sale of used vehicles, net of a reserve for returns. The reserve for returns is estimated using historical experience and trends. Revenue is recognized at time of sale since persuasive evidence of an arrangement in the form of an installment sales contract exists, we have delivered the vehicle to the customer, transferred title, our sales have a fixed and determinable price, and collectability is reasonably assured.

Interest income consists of interest earned on installment sales contracts, net of amortization of loan origination costs, plus late payment fees and interest earned on investments held in trust. Interest income is recognized using the effective interest method and the loans provided to customers are simple interest loans that may be prepaid without penalty. Direct loan origination costs related to loans originated at our dealerships are deferred and charged against interest income over the life of the related loans using the effective interest method.

Cost of Used Vehicles Sold

Cost of used vehicles sold includes the cost to acquire vehicles and the reconditioning and transportation costs associated with preparing the vehicles for resale. Direct and indirect vehicle reconditioning costs, including parts and labor, costs to transport the vehicles to our dealership locations, warranty costs, and other incremental costs, are included in cost of used vehicles sold. The cost of used vehicles sold is determined on a specific identification basis.

Accounting for Transfers of Financial Assets

Securitizations. We periodically sell loans originated at our dealerships to bankruptcy remote securitization subsidiaries, which in turn, transfer the loans to separate trusts that issue notes and certificates collateralized by the loans. The senior class of notes (Asset-Backed Securities) are sold to investors, and we retain the subordinate classes of notes and certificates. We continue to service all loans securitized. Due to certain restrictions placed on the trusts (i.e. the trusts do not have the right to pledge the assets), securitization transactions are accounted for as secured financings, in accordance with ASC 860—Transfers and Servicing (ASC 860). Loans included in the securitization transactions are recorded as finance receivables and the Asset-Backed Securities are recorded as a component of portfolio term financings in the accompanying consolidated balance sheets. The bankruptcy remote securitization subsidiaries are owned and controlled by DTAC.

Additional credit enhancement is achieved via over collateralization and a cash reserve account is established for the benefit of the Asset-Backed Security note holders. The reserve accounts are classified as restricted cash and investments held in trust in the consolidated balance sheets.

Other Portfolio Term Financings. In November 2008, we began our Pooled Auto Loan Program (PALP). As with our traditional securitization program, under PALP, we pool loans originated at our dealerships and sell them to either (i) a special purpose entity which transfers the loans to a separate trust which, in turn, issues a note collateralized by the loans; or (ii) we sell the pooled loans, in a secured financing transaction, directly to a third-party financial institution to yield a specified return with the right to repurchase these loans at a specified date. We retain all servicing. Both types of PALP transactions are accounted for as secured financings, either due to our right to repurchase the loans sold at a specified date or due to certain restrictions placed on the trusts. Therefore, the loans included in these transactions remain in finance receivables and the debt is reflected as a component of portfolio term financings on the consolidated balance sheets.

Provision for Credit Losses

Provision for credit losses is the charge recorded to operations in order to maintain an allowance for credit losses adequate to cover losses inherent in the portfolio.

Advertising

All costs related to advertising and marketing are expensed in the period incurred. Advertising costs related to production are capitalized and expensed once the media is aired. We had no capitalized advertising costs as of December 31, 2008 and 2009 or March 31, 2009 and 2010. Total advertising costs for the years ended December 31, 2007, 2008, and 2009 were \$12.3 million, \$11.2 million, and \$13.7 million, respectively. Total advertising costs for the three months ended March 31, 2009 and 2010 were \$3.4 million and \$4.2 million, respectively.

Income Taxes

DTAG and DTAC are both S-corporations for federal and state income tax purposes. There is no provision for income taxes, except for any amount of entity level state tax in certain jurisdictions, and federal and state income taxes related to a wholly-owned subsidiary of DTAG, which is a C-corporation. Income or losses of an S-corporation flow through to the individual shareholders, who report such income or loss on their individual income tax returns.

Impairment of Long-Lived Assets

We own a small number of used vehicle sales facilities and an operations call center building. These long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed would be reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. At December 31, 2008 and 2009, and March 31, 2009 and 2010, there were no indications of impairment pertaining to these assets.

Business Segment

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and in assessing operating performance. The vertical integration of our business provides for one interdependent platform which enables us to both sell and finance vehicles to customers with subprime credit. We finance approximately 100% of all vehicles sold at our dealerships in a single sales/finance transaction and each of our individual stores are similar in nature and only engage in the selling and financing of used vehicles for the subprime segment of the market. In addition, decisions regarding allocation of resources and assessing operating performance are reviewed on a consolidated basis by our chief operating decision maker; therefore, we have one operating and reporting segment.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities. Certain accounting estimates involve significant judgments, assumptions, and estimates by management that have a material impact on the carrying value of certain assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of income and expenses during the reporting period which management considers to be critical accounting estimates. The judgments, assumptions, and estimates used by management are based on historical

experience, managements' experience, and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ materially from these judgments and estimates, which could have a material impact on the carrying values of our assets and liabilities and our results of operations.

Significant items subject to estimates and assumptions include the allowance for credit losses, inventory valuation, fair value measurements, certain legal reserves, our reserve for sales returns and allowances, our recovery receivables, and our warranty accrual. Estimates used in deriving these amounts are described in the footnotes herein. Actual results could differ from these estimates.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other accounting standards setting bodies, which we may adopt as of the specified date required by each standard. Unless otherwise discussed, we believe the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption. The below information is not a comprehensive list of all new pronouncements. We have only included those pronouncements we believe the reader of the financial statements would find meaningful. We have excluded certain pronouncements that we believe do not apply to us or the industry in which we operate.

In June 2009, the FASB issued additional guidance on accounting for transfers of financial assets that removes the concept of a qualifying special-purpose entity (QSPE) from the previously issued Statement No. 140, and removes the exception from applying the previously issued FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN 46R). This statement also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. This statement was effective for fiscal years beginning after November 15, 2009. Accordingly, we adopted this guidance in fiscal 2010. The implementation of this standard did not have a significant impact on our consolidated financial statements.

In June 2009, the FASB issued guidance amending the previously issued FIN 46R to require an analysis to determine whether a variable interest gives a company a controlling financial interest in a variable interest entity. This statement requires an ongoing reassessment of and eliminates the quantitative approach previously required for determining whether a company is the primary beneficiary. This statement was effective for fiscal years beginning after November 15, 2009. Accordingly, we adopted this guidance in fiscal 2010. The implementation of this standard did not have a significant impact on our consolidated financial statements.

In August 2009, the FASB issued ASU No. 2009-05, "Fair Value Measurements and Disclosures (Topic 820)—Measuring Liabilities at Fair Value." ASU No. 2009-05 provides clarification in measuring the fair value of liabilities in circumstances in which a quoted price in an active market for the identical liability is not available and in circumstances in which a liability is restricted from being transferred. This ASU also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. As we did not elect the fair value option for our financial asset and liabilities, the implementation of this ASU, did not have a significant effect on our consolidated financial statements, except to the extent it modified our fair value disclosures in our current consolidated financial statements.

In January 2010, the FASB issued guidance that clarifies and requires disclosure of amounts and reasons for significant transfers between Level 1 and Level 2, as well as significant transfers in and out of Level 3 of the fair value hierarchy. The new guidance also requires that purchases, sales, issuances, and settlements be presented gross in the Level 3 reconciliation and that requirement is effective for fiscal years beginning after December 15, 2010 and for interim periods within those years, with early adoption permitted. As we did not elect the fair value option for our financial assets

and liabilities we do not believe the implementation of this standard will have a significant impact on our consolidated financial statements, except to the extent it modifies our fair value disclosures in our current consolidated financial statements.

(3) Restricted Cash and Investments Held in Trust

We maintain various cash accounts, which are pledged as collateral under our debt agreements. We are permitted to invest funds in these accounts in short-term, high quality liquid investments. The following is a summary of restricted cash and investments held in trust:

	December 31,		March 31,	
	2008	2009	2009	2010
	(\$ in thousands)			
	(Unaudited)			
Restricted Cash	\$15,282	\$27,128	\$16,501	\$29,607
Investments Held in Trust	55,941	56,936	47,229	32,199
	<u>\$71,223</u>	<u>\$84,064</u>	<u>\$63,730</u>	<u>\$61,806</u>

Restricted Cash. Restricted cash consists of collections related to loans held in securitization trusts, loans pledged to our portfolio warehouse facilities, and loans included in PALP transactions, which have been collected from customers, but have not yet been submitted either to the lenders or the securitization trustee, as appropriate.

Investments Held in Trust. We maintain cash reserve accounts on behalf of Asset-Backed Security investors in our securitizations and certain PALP transactions as a form of credit enhancement. At the time loans are transferred to a trust, a portion of the proceeds from sales of notes are deposited into a reserve account that is pledged to the trusts. We may be required to make additional deposits to reserve accounts from collections on the loans to fund the reserve account to the required target percentage. Investments held in trust also include collections related to loans held in securitization trusts and loans included in PALP financing transactions, which have been collected from customers, and submitted to the trustee, but have not yet been paid to the lenders, as appropriate. Balances in the reserve accounts totaled \$37.4 million at December 31, 2008, \$26.1 million at December 31, 2009, \$30.4 million at March 31, 2009, and \$15.0 million at March 31, 2010.

(4) Finance Receivables

The following is a summary of finance receivables:

	December 31,		March 31,	
	2008	2009	2009	2010
	(\$ in thousands)			
	(Unaudited)			
Principal Balances	\$1,342,855	\$1,312,216	\$1,375,442	\$1,367,408
Accrued Interest	11,890	10,806	10,556	10,729
Loan Origination Costs	20,274	17,569	20,910	17,704
Finance Receivables	<u>\$1,375,019</u>	<u>\$1,340,591</u>	<u>\$1,406,908</u>	<u>\$1,395,841</u>

Concentration of Credit Risk

We operated 103, 86, and 78 used vehicle dealerships at December 31, 2007, 2008, and 2009, respectively, and 79 used vehicle dealerships at both March 31, 2009 and 2010. At March 31, 2010, our dealerships are located in 19 geographic regions throughout the country.

At December 31, 2009 and March 31, 2010, our portfolio concentration by state was as follows:

December 31, 2009			March 31, 2010 (Unaudited)		
State	Percent of Portfolio	Loan Principal (\$ in thousands)	State	Percent of Portfolio	Loan Principal (\$ in thousands)
Texas	29.7%	\$ 390,324	Texas	29.3%	\$ 400,168
Florida	18.4%	241,112	Florida	18.4%	251,495
North Carolina	9.0%	117,463	North Carolina	9.6%	132,068
Georgia	8.4%	110,322	Georgia	8.4%	114,323
Arizona	8.4%	109,714	Arizona	8.2%	111,613
Virginia	8.2%	107,987	Virginia	8.1%	110,513
California	6.5%	85,613	California	6.1%	84,156
Nevada	4.3%	56,998	Nevada	4.4%	60,203
New Mexico	4.3%	56,240	New Mexico	4.4%	59,853
Colorado	2.8%	36,208	Colorado	2.8%	38,954
Tennessee	0.0%	235	Tennessee	0.2%	2,452
Oklahoma	0.0%	—	Oklahoma	0.1%	1,610
	<u>100.0%</u>	<u>\$1,312,216</u>		<u>100.0%</u>	<u>\$1,367,408</u>

(5) Allowance for Credit Losses

The following table sets forth the rollforward of the allowance for credit losses for the periods indicated:

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)			(Unaudited)	
Allowance Activity:					
Balance, Beginning of Period	\$ 192,150	\$ 244,034	\$ 242,600	\$242,600	\$218,259
Provision for Credit Losses	283,407	300,884	223,686	69,815	47,146
Net Charge-offs	(231,523)	(302,318)	(248,027)	(66,315)	(43,296)
Balance, End of Period	<u>\$ 244,034</u>	<u>\$ 242,600</u>	<u>\$ 218,259</u>	<u>\$246,100</u>	<u>\$222,109</u>
Allowance as a Percent of Ending Principal	18.2%	18.1%	16.6%	17.9%	16.2%
Charge-off Activity:					
Principal Balances	\$(345,287)	\$(428,023)	\$(363,177)	\$(96,702)	\$(74,028)
Recoveries, Net	113,764	125,705	115,150	30,387	30,732
Net Charge-offs	<u>\$(231,523)</u>	<u>\$(302,318)</u>	<u>\$(248,027)</u>	<u>\$(66,315)</u>	<u>\$(43,296)</u>

(6) Property and Equipment, Net

A summary of property and equipment follows:

	December 31,		March 31,	
	2008	2009	2009	2010
	(\$ in thousands)			
	(Unaudited)			
Land	\$ 7,693	\$ 8,144	\$ 7,693	\$ 8,144
Buildings and Improvements	67,841	68,737	66,806	69,541
Equipment	22,147	27,165	21,163	27,374
Furniture	12,637	12,051	12,162	11,856
Software	23,820	26,104	24,436	26,586
	134,138	142,201	132,260	143,501
Less Accumulated Depreciation and Amortization	(82,659)	(90,827)	(82,650)	(93,669)
Property and Equipment, Net	<u>\$ 51,479</u>	<u>\$ 51,374</u>	<u>\$ 49,610</u>	<u>\$ 49,832</u>

We have commitments under capital leases, consisting primarily of software, computer equipment, and reconditioning center equipment classified in Equipment and Software included in the above table. As of December 31, 2008, these assets were fully depreciated. As of March 31, 2009, assets under capital leases had a cost of \$0.2 million and accumulated depreciation of \$10,000. As of December 31, 2009 and March 31, 2010, assets under capital leases had a cost of \$0.7 million and accumulated depreciation of \$0.1 million.

For the years ended December 31, 2007, 2008, and 2009, we capitalized \$1.7 million, \$1.6 million, and \$1.3 million, respectively, and for the three months ended March 31, 2009 and 2010, we capitalized \$0.3 million and \$0.4 million, respectively, of direct costs of materials and services consumed in developing or obtaining internal use software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the development of software products for internal use, to the extent of the time spent directly on the project.

(7) Debt Obligations

Portfolio Term Financings

The following is a summary of portfolio term financings:

	December 31,		March 31,	
	2008	2009	2009	2010
	(\$ in thousands)			
	(Unaudited)			
Securitization Debt:				
Asset Backed Security obligations issued pursuant to the Company's securitizations	\$ 264,949	\$ 268,533	\$ 202,737	\$ 203,834
Asset Backed Security obligations repurchased by the Company and not retired	(83,011)	—	(89,415)	—
Net Asset Backed Security obligations outstanding	181,938	268,533	113,322	203,834
Pooled Auto Loan Program Financings:				
Fixed rate secured financing transactions for our finance receivable portfolio	152,591	527,324	294,861	502,881
Total Portfolio Term Financings	<u>\$ 334,529</u>	<u>\$ 795,857</u>	<u>\$ 408,183</u>	<u>\$ 706,715</u>

Securitization Debt

The following table is a summary of securitization transactions with outstanding balances for each period presented:

	Original Note/Debt Amount	As of December 31, 2008			As of December 31, 2009		
		Note/Debt Balance	Receivables Balance	Cash Reserve ⁽¹⁾	Note/Debt Balance	Receivables Balance	Cash Reserve ⁽¹⁾
(\$ in thousands)							
Securitization Transactions							
2005-C	\$ 150,000	\$ 14,499	\$ 17,874	\$ 5,137	\$ —	\$ —	\$ —
2006-A	240,000	37,581	47,193	8,219	—	—	—
2006-B	305,000	79,874	108,741	10,606	31,867	42,132	10,592
2007-A	320,000	132,995	173,112	12,920	61,530	78,089	11,112
2009-1	—	—	—	—	175,136	286,955	3,000
Repurchased	—	(83,011) ⁽²⁾	—	—	— ⁽³⁾	—	—
		<u>\$181,938</u>	<u>\$346,920</u>	<u>\$36,882</u>	<u>\$268,533</u>	<u>\$407,176</u>	<u>\$24,704</u>

	Original Note/Debt Amount	As of March 31, 2009			As of March 31, 2010		
		Note/Debt Balance	Receivables Balance	Cash Reserve ⁽¹⁾	Note/Debt Balance	Receivables Balance	Cash Reserve ⁽¹⁾
(\$ in thousands)							
Securitization Transactions							
2006-A	\$ 240,000	\$ 28,501	\$ 35,318	\$ 11,609	\$ —	\$ —	\$ —
2006-B	305,000	64,028	85,873	16,317	—	—	—
2007-A	320,000	110,208	141,546	18,502	48,453	61,373	11,112
2009-1	192,600	—	—	—	155,381	259,380	2,693
Repurchased	—	(89,415) ⁽²⁾	—	—	— ⁽³⁾	—	—
		<u>\$ 113,322</u>	<u>\$ 262,737</u>	<u>\$ 46,428</u>	<u>\$ 203,834</u>	<u>\$ 320,753</u>	<u>\$ 13,805</u>

⁽¹⁾ Cash reserve consists of investments held in trust and cash collection accounts held by the trustee, which have not yet been applied to the monthly cash flow waterfall for the securitization bond holders. The cash reserve does not include restricted cash, which is cash collected and held in trust from loan payments, which have not been applied to pay down securitization debt.

⁽²⁾ Represents the portion of 2007-A securitization debt we repurchased in August and December 2008, and March 2009.

⁽³⁾ Reflects reissuance of 2007-A securitization debt in August 2009.

Asset-backed securities outstanding are secured by underlying pools of finance receivables and investments held in trust. Asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 5.2% to 5.6% at both December 31, 2008 and 2009, and 5.3% to 5.6%, at both March 31, 2009 and March 31, 2010. Credit enhancement for the asset-backed securities consists of subordination of the certificate to the notes, over collateralization (finance receivable principal balance in excess of the face value of asset-backed securities issued) and cash reserves, which are funded with proceeds from the sale of asset-backed securities and through cash collections. Over collateralization ranged from 27.0% to 31.5% for securitizations outstanding at December 31, 2008 and from 28.0% to 35.8% for securitizations outstanding at December 31, 2009; 28.0% to 31.5% for securitizations outstanding at March 31, 2009, and 28.0% to 35.8% for securitizations outstanding at March 31, 2010. Except for 2009-1, as of March 31, 2010 the outstanding asset-backed securities are wrapped with financial guaranty insurance policies from monoline insurers.

For the year ended December 31, 2008, we repurchased \$83.0 million of our 2007-A securitization bonds on the open market, resulting in net gains of \$15.2 million. These amounts are classified as Gain on Extinguishment of Debt on the consolidated statements of operations for the year ended December 31, 2008.

In March 2009, we repurchased an additional \$13.2 million of our 2007-A securitization bonds on the open market, resulting in a net gain of \$1.8 million. This gain on repurchase is classified as Gain on Extinguishment of Debt on the consolidated statements of operations for the year-ended December 31, 2009.

In August 2009, we reissued the then-outstanding balance of the 2007-A securitization bonds we previously repurchased (\$65.6 million). These bonds were reissued at a premium to par of 100.5% resulting in a \$0.3 million premium, which is being amortized using the effective interest method over the term of the debt.

In December 2009, we completed our first securitization transaction since June 2007 by issuing \$192.6 million of asset-backed securities, which are collateralized by approximately \$300.0 million of finance receivables. The asset-backed securities are structured in four tranches with credit ratings ranging from AAA to A, without external credit enhancement from a monoline insurer. The weighted average coupon of these four tranches was 5.3%.

Performance Triggers. Our 2007-A securitization trust contains certain covenants, including limitations on delinquencies, periodic net charge-offs, and cumulative net charge-offs (“performance triggers”). If a trust exceeds a performance trigger the required cash reserve increases and cash flow from the loans in the trust is “trapped” until the reserve account reaches the specified level, or until the holders are paid in full or the insurer waives the event. If the trust performance goes below the performance trigger the trapped cash is returned to us. Our 2009-1 trust does not contain these triggers. At December, 31 2008 and 2009, and March 31, 2009 and 2010, all trusts were in compliance with their performance triggers and there have been no requirements to trap cash or any termination events.

Individual securitization trusts are not cross-collateralized or cross-defaulted. Additionally, we have the option to purchase the remaining loans in a trust when the remaining principal balances of the loans reach a specified percentage (generally 10%) of their original principal balance.

Pooled Auto Loan Program Financings (PALP). PALP financings are secured by underlying pools of finance receivables and in certain cases a cash reserve account. The net advance rate on the receivables ranged from 66.7% to 72.8% of the principal balance for transactions outstanding at March 31, 2010, from 67.6% to 73.4% of the principal balance for transactions outstanding at December 31, 2009, from 67.4% to 73.9% of the principal balances for transactions outstanding at March 31, 2009, and from 65.0% to 73.9% of the principal balance for transactions outstanding at December 31, 2008. In certain cases there may be a cash reserve/holdback which is netted against the debt amount to arrive at the net advance rate.

Since inception of this program, we have issued a total of \$759.7 million in PALP financings through March 31, 2010. The following table is a summary of the PALP transactions outstanding:

PALP	Finance Principal Sold	Initial Cash Reserve	Interest Rate	Original Amount	As of December 31, 2008			As of December 31, 2009		
					Current Balance	Receivables Balance	Cash Reserve ⁽³⁾	Current Balance	Receivables Balance	Cash Reserve ⁽³⁾
(\$ in thousands)										
2008-A ⁽¹⁾	\$ 10,000	5.0%	8.00%	\$ 7,000	\$ 6,887	\$ 9,670	\$492	\$ 4,398	\$ 6,035	\$ 315
2008-B ⁽²⁾	220,011	—	11.00%	165,000	145,704	196,643	—	92,594	127,918	—
2009-A ⁽²⁾	268,620	—	10.34%	201,465	—	—	—	143,984	202,769	—
2009-B ⁽¹⁾	29,338	5.0%	8.00%	22,004	—	—	—	16,226	20,653	1,063
2009-C ⁽²⁾	342,070	—	8.71%	244,451	—	—	—	195,958	275,205	—
2009-E ⁽²⁾	84,779	—	8.00%	59,346	—	—	—	55,359	78,662	—
2009-F ⁽²⁾	27,508	—	8.00%	19,255	—	—	—	18,805	26,703	—
				<u>\$718,521</u>	<u>\$152,591</u>	<u>\$206,313</u>	<u>\$492</u>	<u>\$527,324</u>	<u>\$737,945</u>	<u>\$1,378</u>

PALP	Finance Principal Sold	Initial Cash Reserve	Interest Rate	Original Amount	As of March 31, 2009			As of March 31, 2010		
					Current Balance	Receivables Balance	Cash Reserve ⁽³⁾	Current Balance	Receivables Balance	Cash Reserve ⁽³⁾
(\$ in thousands)										
2008-A ⁽¹⁾	\$ 10,000	5.0%	8.00%	\$ 7,000	\$ 6,396	\$ 8,830	\$801	\$ 3,817	\$ 5,247	\$ 274
2008-B ⁽²⁾	220,011	—	11.00%	165,000	143,716	194,929	—	77,532	109,499	—
2009-A ⁽²⁾	268,620	—	10.34%	201,465	144,749	195,555	—	128,562	181,628	—
2009-B ⁽¹⁾	29,338	5.0%	8.00%	22,004	—	—	—	14,016	17,803	934
2009-C ⁽²⁾	342,070	—	8.71%	244,451	—	—	—	170,408	240,609	—
2009-E ⁽²⁾	84,779	—	8.00%	59,346	—	—	—	51,513	73,070	—
2009-F ⁽²⁾	27,508	—	8.00%	19,255	—	—	—	17,617	25,019	—
2010-A ⁽²⁾	58,762	—	8.00%	41,133	—	—	—	39,416	56,022	—
				<u>\$759,654</u>	<u>\$294,861</u>	<u>\$399,314</u>	<u>\$801</u>	<u>\$502,881</u>	<u>\$708,897</u>	<u>\$1,208</u>

- (1) Represents pools of loans that were sold to a special purpose entity in a secured financing transaction, which transferred the loans to a separate trust which, in turn, issued a note collateralized by the loans. The initial deposit into the reserve account was 5.0% of the note principal balance, and the on-going reserve account requirement is the greater of 5.0% of the outstanding contract balance or 2.0% of the original contract balance. If at any point there are insufficient funds to pay principal and interest on the loan, the trustee will draw cash from the reserve account to make payments.
- (2) Represents pools of loans that were sold, in a secured financing transaction, directly to a third-party financial institution. Under this arrangement, we are required to maintain an aggregate amount of finance receivable principal balance of \$740.0 million. On a monthly basis we replenish the portfolio run-off with sales of finance receivables in order to maintain the \$740.0 million contract principal outstanding. Subject to certain exceptions, as cash is collected, it is applied through a waterfall to pay an annualized yield to the purchaser on the outstanding advance amount and our servicing fee. Any excess cash flows are distributed to us at a level to maintain a 70% advance rate on the outstanding contract principal.
- (3) Cash reserve consists of investments held in trust and cash collection accounts which have not yet been applied to the monthly cash flow waterfall for the note holders. The cash reserve does not include restricted cash, which is cash collected and held in trust from loan payments, which have not been applied to pay down PALP debt.

We were in compliance with all financial covenants under our PALP financing transactions for all periods presented.

The following is a summary of portfolio warehouse facilities:

	December 31,		March 31,	
	2008	2009	2009	2010
	(\$ in thousands)			
	(Unaudited)			
Portfolio Warehouse Facilities:				
Warehouse Facility A—secured by certain finance receivables of the Company	\$193,500	\$77,506	\$144,627	\$124,265
Warehouse Facility B—secured by certain finance receivables of the Company not otherwise included in a securitization trust or PALP transaction; terminated July 2009	<u>204,593</u>	<u>—</u>	<u>168,062</u>	<u>—</u>
Total Portfolio Warehouse Facilities	<u>\$398,093</u>	<u>\$77,506</u>	<u>\$312,689</u>	<u>\$124,265</u>

Warehouse Facility A. At December 31, 2008, Warehouse Facility A had, (i) a maximum capacity of \$300.0 million, (ii) interest payable at the lender's cost of funds plus 5.0% (7.31% at December 31, 2008), (iii) a maturity of December 2009, and (iv) an advance rate of 52%. At December 31, 2008, we were in compliance with all financial covenants of this facility.

At March 31, 2009, Warehouse Facility A had, i) interest payable at the lender's cost of funds plus 5.0%, (5.70% at March 31, 2009) ii) a maturity of December 2009, and iii) an advance rate of 52%. At March 31, 2009, we were in compliance with all financial covenants of this facility.

In July 2009, we amended and extended this credit facility. Among other things, this amendment, (i) decreased its capacity from \$300.0 million to \$250.0 million; (ii) extended the maturity date from December 2009 to December 2010; (iii) increased the advance rate to 58%; and (iv) lowered the interest rate to the lender's cost of funds plus 4.25% (4.49% at December 31, 2009 and 4.52% at March 31, 2010). These were the effective terms at December 31, 2009 and March 31, 2010. At December 31, 2009 and March 31, 2010, we were in compliance with all financial covenants of this facility.

DT Warehouse, LLC (a wholly-owned subsidiary of DTAC) is the sole borrower under Warehouse Facility A. DT Warehouse, LLC is a special purpose entity established specifically for the purpose of this lending relationship with assets and liabilities distinct from those of our other entities and each other affiliate thereof. DT Warehouse, LLC operates in such a manner so that it would not be substantively consolidated in the bankruptcy trust estate of any of our entities. DT Warehouse, LLC has also entered into a \$25.0 million demand note with DTAC, which has been assigned to the lender. The demand note is guaranteed by DTAG, Ernest C. Garcia II (Chairman), and Verde. At its sole discretion, the lender can require DTAC to fund the demand note, and apply the proceeds to pay down the facility with DT Warehouse, LLC.

Warehouse Facility A is secured by finance receivables totaling \$401.5 million, \$139.5 million, \$371.3 million, and \$220.4 million at December 31, 2008, December 31, 2009, March 31, 2009, and March 31, 2010, respectively.

Warehouse Facility B. At December 31, 2008, Warehouse Facility B had a maximum capacity of \$334.2 million and consisted of two parts, Tranche A and Tranche B. The Tranche A component had (i) a capacity of \$284.2 million (ii) a maturity of December 2009, (iii) an advance rate of 52%, and (iv) an interest rate at LIBOR plus 5.0% (5.96% at December 31, 2008), The Tranche B component had (i) a capacity of \$50.0 million, (ii) a maturity of December 2009, (iii) an advance rate equal to 61%, and (iv) an interest rate at LIBOR plus 7.0% (7.96% at December 31, 2008). DTAC was the sole borrower under this facility. The facility was guaranteed by DTAG and its subsidiaries. At December 31, 2008, we were in compliance with all financial covenants of this facility.

At March 31, 2009, Warehouse Facility B had a maximum capacity of \$334.2 million and consists of two parts, Tranche A and Tranche B. The Tranche A component had i) a capacity of \$284.2 million ii) a maturity of December 2009, iii) an advance rate of 52%, and iv) an interest at LIBOR plus 5.0% (5.56% at March 31, 2009). The Tranche B component had i) a capacity of \$50.0 million, ii) a maturity of December 2009, iii) advance rate equal to 61%, and iv) an interest at LIBOR plus 7.0% (7.56% at March 31, 2009). DTAC was the sole borrower under this facility. At March 31, 2009, we were in compliance with all financial covenants of this facility.

In May 2009, we renewed this facility, extending the maturity date from December 2009 to December 2010 and decreasing the facility size from \$334.2 million to \$250.0 million. In July 2009, we satisfied the amount then outstanding on this credit facility and executed a termination of this facility.

Warehouse Facility B was secured by finance receivables totaling \$389.3 million at December 31, 2008, and \$345.5 million at March 31, 2009.

Other Secured Notes Payable

A summary of other secured notes payable follows:

	December 31,		March 31,	
	2008	2009	2009	2010
	(\$ in thousands)			
	(Unaudited)			
Revolving Inventory Facility, Secured by the Company's Vehicle				
Inventory	\$ 64,564	\$ 50,000	\$ 41,476	\$ 50,000
Junior Secured Notes due December 2012, Secured by Finance				
Receivables	29,100	—	22,072	—
Junior Secured Notes due December 2012, Secured by Finance				
Receivables-Related Party	26,000	62,088	33,028	62,088
Repurchase Facility A—Secured by 2007-A Securitization Bonds				
Repurchased; Terminated July 2009	46,694	—	49,999	—
Repurchase Facility B—Secured by 2009-1 Securitization Bonds				
purchased by the Company	—	12,231	—	12,292
Mortgage Note Payable Bearing Interest at 5.87% due March 2017,				
Secured by Real Property	13,221	13,046	13,176	12,997
Total Other Secured Notes Payable	<u>\$179,579</u>	<u>\$137,365</u>	<u>\$159,751</u>	<u>\$137,377</u>

Revolving Inventory Facility

At December 31, 2008, the revolving inventory facility had a maximum capacity of \$80.0 million with a weighted average interest rate of LIBOR plus 5.0% (5.44% at December 31, 2008). The inventory facility had a maturity of August 2009. At December 31, 2008 we were in compliance with all financial covenants of this facility.

At March 31, 2009, the revolving inventory facility had a maximum capacity of \$80.0 million with a weighted average interest rate of LIBOR plus 5.0% (5.50% at March 31, 2009). At March 31, 2009 we were in compliance with all financial covenants of this facility.

In August 2009, we renewed our revolving inventory facility, with a new maturity date of August 2010. At December 31, 2009, the new facility had a maximum capacity of \$60.0 million. At December 31, 2009, the interest rate under the new facility was LIBOR plus 6.0% (6.23% at December 31, 2009). At December 31, 2009, we were in compliance with all financial covenants of this facility.

At March 31, 2010, the revolving inventory facility had a maximum capacity of \$60.0 million with a weighted average interest rate of LIBOR plus 6.0% (6.23% at March 31, 2010). At March 31, 2010 we were in compliance with all financial covenants of this facility.

Junior Secured Notes

The junior secured notes mature in December 2012. These notes consisted of a \$31.1 million Tranche A component and a \$24.0 million subordinate Tranche B component at December 31, 2008, and a \$38.1 million Tranche A component and a \$24.0 million subordinate Tranche B component at December 31, 2009. During the year ended December 31, 2009, we issued an additional \$10.0 million in Tranche A notes and repurchased a total of \$3.0 million of the outstanding Tranche A notes at par value. These notes are secured by a junior interest in our finance receivables. The Tranche A component is comprised of four notes (one of which is a \$2.0 million note to Mr. Fidel, our Chief Executive

Officer) and the Tranche B component is comprised of one subordinate note to Verde. At March 31, 2010, the Tranche A notes bear interest at 22.0% per annum, increasing by 2.0% each year until maturity and the Tranche B note bears interest at 27.0% per annum, increasing 2.0% each year until maturity. At December 31, 2008, December 31, 2009, March 31, 2009, and March 31, 2010, we were in compliance with all financial covenants of these notes.

See Note 9—Related Party Transactions for more information regarding transactions involving the Junior Secured Notes and Verde.

Repurchase Facility A

In August and December 2008, we repurchased \$62.1 million and \$20.9 million face value of our 2007-A securitization debt on the open market. We also purchased \$13.2 million face value of our 2007-A securitization debt on the open market in March 2009. These purchases were funded with cash and borrowings under a 30-day rolling repurchase facility with interest at LIBOR plus 5.0% (5.96% at December 31, 2008 and 5.56% at March 31, 2009). At December 31, 2008, the amount borrowed on the repurchase facility reduced the capacity size of Warehouse Facility A. In July 2009, subsequent to the termination of Warehouse Facility B, we satisfied the amount then outstanding and terminated this facility. At December 31, 2008 and March 31, 2009, we were in compliance with all financial covenants of this facility.

Repurchase Facility B

In December 2009, we issued \$192.6 million of securitization bonds in conjunction with our 2009-1 securitization. We purchased \$17.5 million of the initial issuance. This purchase was funded with cash and \$12.2 million in borrowings under a 30-day rolling repurchase facility with interest at LIBOR plus 1.5% (1.73% at December 31, 2009 and March 31, 2010). As of December 31, 2009 and March 31, 2010, we were in compliance with all financial covenants of this facility.

Mortgage Note Payable

At December 31, 2008, December 31, 2009, March 31, 2009, and March 31, 2010, the mortgage note payable was secured by our operations call center building in Mesa, Arizona. Terms of the note agreement provide for monthly principal and interest payments with a balloon payment due in March 2017. At December 31, 2008, December 31, 2009, March 31, 2009, and March 31, 2010, we were in compliance with all financial covenants of this loan.

Unsecured Notes Payable

A summary of senior unsecured notes payable follows:

	December 31,		March 31,	
	2008	2009	2009	2010
	(\$ in thousands)			
	(Unaudited)			
Senior Unsecured Notes Payable				
Senior Unsecured Notes Payable, Net—Interest at 11.25% per Annum (Priced to Yield 12.5%) Payable Semi-Annually, Principal Balance Due July 1, 2013, Paid in Full September 2009	\$ 87,493	\$ —	\$ 73,064	\$ —
Senior Unsecured Notes Payable, Net—Interest at 11.25% per Annum (Priced to Yield 12.5%) Payable Semi-Annually, Principal Balance Due July 1, 2013, Paid in Full September 2009—Related Party	30,902	—	30,948	—
Senior Unsecured Notes Payable, Net—Interest at 11.25% per Annum (Priced to Yield 12.5%) Payable Semi-Annually, Principal Balance Due, October 1, 2010	1,471	1,487	1,474	1,491
Total Senior Unsecured Notes Payable	<u>119,866</u>	<u>1,487</u>	<u>105,486</u>	<u>1,491</u>
Subordinated Notes—Related Party	75,000	75,000	75,000	75,000
Total Unsecured Notes Payable	<u>\$194,866</u>	<u>\$76,487</u>	<u>\$180,486</u>	<u>\$76,491</u>

The senior unsecured notes due 2013 are shown net of unamortized discount of \$3.6 million and \$3.0 million at December 31, 2008 and March 31, 2009, respectively. The senior unsecured notes due 2010 are shown net of unamortized discount of \$29,000, \$13,000, \$25,000, and \$9,000 at December 31, 2008 and 2009, and March 31, 2009 and 2010, respectively. At December 31, 2008 and 2009, and March 31, 2009 and 2010, we were in compliance with all financial covenants of these notes.

In December 2008, we repurchased \$13.0 million of senior unsecured notes payable resulting in a net gain of \$4.6 million. The gain is classified as Gain on Extinguishment of Debt on the consolidated statement of operations for the year ended December 31, 2008.

During the year ended December 31, 2009, we repurchased the remaining \$122.0 million of our senior unsecured notes due 2013 resulting in net gains of \$28.5 million. The gains are classified as Gain on Extinguishment of Debt on the consolidated statements of operations for the year ended December 31, 2009.

In April and May 2008, Verde provided a total of \$75.0 million in cash to us in return for subordinated notes payable. These notes bear interest at 12.0% and mature August 2013.

Future Minimum Principal Payments

The following table represents the future minimum principal payments required under notes payable and capital leases as of December 31, 2009 and March 31, 2010:

	As of December 31, 2009						
	Payments by Period						
	(\$ in thousands)						
	Total	Less than 1 Year	Years 2	Years 3	Years 4	Years 5	More than 5 Years
Long-term debt obligations							
Securitization & PALP ⁽²⁾	\$ 795,857	\$404,632	\$292,514	\$ 86,672	\$12,039	\$ —	\$ —
Portfolio warehouse facility ⁽¹⁾	77,506	63,203	14,303	—	—	—	—
Inventory facility	50,000	50,000	—	—	—	—	—
Real estate mortgage loan	13,046	186	198	208	223	236	11,995
Repurchase Facility	12,231	12,231	—	—	—	—	—
Junior secured notes	62,088	—	—	62,088	—	—	—
Senior unsecured notes	1,487	1,487	—	—	—	—	—
Subordinated notes	75,000	—	—	—	75,000	—	—
Capital lease obligations	559	173	186	106	78	16	—
Total	\$1,087,774	\$531,912	\$307,201	\$149,074	\$87,340	\$252	\$11,995
	As of March 31, 2010						
	Payments by Period						
	(\$ in thousands)						
	Total	Less than 1 Year	Years 2	Years 3	Years 4	Years 5	More than 5 Years
Long-term debt obligations							
Securitization & PALP ⁽²⁾	\$ 706,715	\$382,361	\$242,176	\$ 77,162	\$ 5,016	\$ —	\$ —
Portfolio warehouse facility ⁽¹⁾	124,265	101,216	23,049	—	—	—	—
Inventory facility	50,000	50,000	—	—	—	—	—
Real estate mortgage loan	12,997	189	199	213	226	240	11,930
Repurchase Facility	12,292	12,292	—	—	—	—	—
Junior secured notes	62,088	—	—	62,088	—	—	—
Senior unsecured notes	1,491	1,491	—	—	—	—	—
Subordinated notes	75,000	—	—	—	75,000	—	—
Capital lease obligations	518	176	189	78	68	7	—
Total	\$1,045,366	\$547,725	\$265,613	\$139,541	\$80,310	\$247	\$11,930

- (1) On the termination date of the facility, amounts outstanding at termination are not due and payable immediately. All collections on the contracts collateralizing this facility are used to pay down the facility until it is paid in full. All amounts outstanding under the facility will be due and payable on the third anniversary of the termination date of the facility.
- (2) Securitization obligations do not have a contractual termination date. Therefore, all collections on the contracts collateralizing the securities are used to repay the asset-backed security holders based on an expected duration of the securities. On the termination date of the PALP obligations, amounts outstanding at termination are not due and payable immediately. Collections on the contracts collateralizing the facility are used to repay the facility until it is paid in full.

Concentration of Risk. As of December 31, 2008, \$145.7 million of our total debt of \$1.1 billion resided with one third-party lender in the form of PALP debt. In addition, at December 31, 2008, \$204.6 million and \$193.5 million of our total debt resided with another two third-party lenders in the form of portfolio warehouse facilities. At December 31, 2008, \$129.9 million of our total debt consisted of debt owed to our Principal Shareholder, in the form of subordinated notes payable, senior unsecured notes, and junior secured notes. As of December 31, 2009, \$546.7 million of our total debt of \$1.1 billion resides with one third-party lender in the form of PALP and inventory facility debt. In addition, at December 31, 2009, \$77.5 million of our total debt resides with a third-party lender in the form of a portfolio warehouse facility. At December 31, 2009, \$135.1 million of our total debt consists of debt owed to our Principal Shareholder, in the form of subordinated notes payable and junior secured notes payable. As of March 31, 2010, \$525.0 million of our total debt of \$1.0 billion resides with one third-party lender in the form of PALP and inventory facility debt. In addition, at March 31, 2010, \$124.3 million of our total debt resides with a third-party lender in the form of a portfolio warehouse facility. At March 31, 2010, \$135.1 million of our total debt consists of debt owed to our Principal Shareholder, in the form of subordinated notes payable and junior secured notes payable.

(8) Gain on Extinguishment of Debt

A summary of net gains on extinguishment of debt is as follows:

Year Ended, December 31, 2009			
Month	Type	Principal Repurchased	Net Gain (Loss)
(\$ in thousands)			
January	Senior Unsecured Notes	\$15,000	\$ 4,908
March	2007-A Securitization Debt	13,200	1,846
April	Senior Unsecured Notes	30,000	9,911
May	Senior Unsecured Notes	25,000	8,246
June	Senior Unsecured Notes	20,000	6,648
September	Senior Unsecured Notes-Related Party	32,000	(1,248)
			\$30,311
Three Months Ended, March 31, 2009			
Month	Type	Principal Repurchased	Net Gain (Loss)
(\$ in thousands)			
January	Senior Unsecured Notes	\$15,000	\$4,908
March	2007-A Securitization Debt	13,200	1,846
			\$6,754

Year Ended December 31, 2008

Month	Type	Principal Repurchased	Net Gain
		(\$ in thousands)	
August	2007-A Securitization Debt	\$62,100	\$10,254
December	2007-A Securitization Debt	20,865	4,854
December	Senior Unsecured Notes	13,000	4,591
			<u>\$19,699</u>

(9) Related Party Transactions

During the years ended December 31, 2007, 2008, and 2009, and three months ended March 31, 2009 and 2010, we recorded related party operating expenses as follows:

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)			(Unaudited)	
General and Administrative Expenses—Related Party					
Property Lease Expense	\$ 5,977	\$ 5,383	\$ 4,741	\$1,227	\$1,081
Store Closing Costs on Related Party Leases	—	2,484	1,969	1,471	266
Non-cash compensation Expense	—	2,250	2,250	563	563
Aircraft Lease Expense	1,946	1,949	1,950	487	487
Aircraft Operating Expense	1,737	1,774	1,676	327	446
Reimbursement of General and Administrative Expenses	(200)	(210)	(210)	(52)	(52)
Salaries & Wages, General and Administrative, and Other Expenses	866	484	567	156	217
Total General and Administrative Expenses—Related Party	<u>\$10,326</u>	<u>\$14,114</u>	<u>\$12,943</u>	<u>\$4,179</u>	<u>\$3,008</u>

Property Lease Expense—Related Party

At December 31, 2008 and 2009, we leased 18 and 16, respectively, vehicle sales facilities, three reconditioning centers, our former loan servicing center (which is currently being subleased to two third-party tenants), and our corporate office from Verde and another affiliate of Mr. Garcia (the Garcia Family Limited Liability Partnership, LLP). At December 31, 2008 and 2009, we also leased two and one, respectively, used vehicle sales facilities and a reconditioning center from a director and officer of DTAC, Steven Johnson, who is also Mr. Garcia's brother-in-law. At December 31, 2009, the maturity of these leases ranges from 2013 to 2023.

At March 31, 2009 and 2010, we leased 18 and 16, respectively, vehicle sales facilities, three reconditioning centers, our former loan servicing center (which is currently being subleased to two third-party tenants), and our corporate office from Verde and another affiliate of Mr. Garcia (the Garcia Family Limited Liability Partnership, LLP). At March 31, 2009 and 2010, we also leased two and one, respectively, used vehicle sales facilities and a reconditioning center from Steven Johnson. At March 31, 2010, the maturity of these leases ranges from 2013 to 2023.

Store Closing Costs on Related Party Leases

We closed 19 stores and four reconditioning facilities during the year ended December 31, 2008, six of which were facilities we lease from Verde and Steven Johnson. In accordance with ASC 420—Exit or Disposal Activities (ASC 420), we recorded lease obligations, asset disposal costs, and other closing costs associated with these closures for the year ended December 31, 2008. As of December 31, 2008, \$2.1 million remained in accrued expenses and other liabilities—related party on the accompanying consolidated balance sheet for lease obligations pertaining to these closed facilities. The expiration of these leases at December 31, 2008 ranged from 2013 to 2018.

We closed an additional nine stores and two reconditioning centers in the year ended December 31, 2009, four of which were facilities we lease from Verde and Steven Johnson. In accordance with ASC 420, we recorded lease obligations, asset disposal costs, and other closing costs associated with these closures. During 2009 we terminated the leases on two of the closed related party facilities and paid \$0.4 million in lease termination fees. We remain obligated for related party leases on four closed used car sales facilities, two closed reconditioning centers, and one closed operations facility as of December 31, 2009 and March 31, 2010. We ceased use of former loan servicing center in 2007 and this facility is currently being subleased. We did not incur a lease obligation on this facility since our sublease income is equal to our rent obligation.

Approximately \$2.3 million, \$3.2 million, and \$2.3 million remains in accrued expenses and other liabilities—related party on the accompanying consolidated balance sheets for these lease obligations as of December 31, 2009, March 31, 2009, and March 31, 2010, respectively. The expiration of these leases range from 2013 to 2018.

Non-cash Compensation Expense—See Note 17 for details.

Aircraft Lease and Operating Expenses

In September, 2005, we entered into a lease with Verde for an aircraft. Under the terms of the lease agreement, we agreed to pay monthly lease payments of \$150,000 plus taxes to Verde, and are responsible for paying all costs and expenses related to the aircraft and its operations. The lease term is five years.

Reimbursement of General and Administrative Expenses

For the year ended December 31, 2007, we received \$50,000 each quarter from Verde as reimbursement of certain general and administrative expenses (discussed below) incurred by us on Verde's behalf. This amount was \$52,500 for each of the quarters in 2008, 2009, and 2010.

Salaries and Wages, General and Administrative and Other Expenses

Certain general and administrative expenses and salaries and wages of Verde and Verde employees who are enrolled in our health plan are reflected in our general and administrative expenses—related party.

See Note 11 for further information on future minimum payments on related party leases.

During the years ended December 31, 2007, 2008, and 2009, and three months ended March 31, 2009 and 2010, we recorded related party interest expense and loss on extinguishment of debt as follows:

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)				
Secured Debt Interest Expense—Related Party					
Junior Secured Notes:					
Tranche A—Related Party: CEO	\$ —	\$ 30	\$ 400	\$ 99	\$ 108
Tranche A—Related Party: Verde	—	—	2,460	251	1,985
Tranche B—Related Party: Verde	—	450	6,035	1,500	1,620
\$5.0 million Shareholder Note Payable	—	140	—	—	—
Total Secured Debt Interest Expense—Related Party	\$ —	\$ 620	\$ 8,895	\$ 1,850	\$ 3,713
Unsecured Debt Interest Expense—Related Party					
\$32.0 million Senior Unsecured Notes Payable	\$ —	\$ 3,224	\$ 2,690	\$ 900	\$ —
\$75.0 million Subordinated Notes Payable	—	5,939	9,158	2,258	2,258
Total Unsecured Debt Interest Expense—Related Party	\$ —	\$ 9,163	\$ 11,848	\$ 3,158	\$ 2,258
Loss on Extinguishment of Debt, Net—Related Party					
\$32.0 million Senior Unsecured Notes Payable	\$ —	\$ —	\$ 1,248	\$ —	\$ —

Secured Debt Interest Expense—Related Party

In December 2008, we issued junior secured notes. These notes consist of a Tranche A component and a subordinate Tranche B component. The Tranche A component is comprised of four notes (one of which is a \$2.0 million note to Mr. Fidel, our Chief Executive Officer) and the Tranche B component is comprised of one subordinate note to Verde. At December 31, 2009, the Tranche A notes bear interest at 22.0% per annum, increasing by 2.0% each year until maturity and the Tranche B notes bear interest at 27.0% per annum, increasing 2.0% each year until maturity.

During the year ended December 31, 2009, Verde purchased an aggregate amount of \$36.1 million in notes from third-party Tranche A note holders. After these transactions at December 31, 2009 and March 31, 2010, Verde holds \$36.1 million of Tranche A junior secured notes and the \$24.0 million Tranche B junior secured notes.

In September 2008, our Principal Shareholder provided \$5.0 million in cash to us in return for a short term subordinated note bearing interest at 12.0% per annum, due December 2008. The note was collateralized by certain real estate owned by us. As of December 31, 2008 this note was paid in full.

Unsecured Debt Interest Expense—Related Party

In January 2008, Verde purchased \$29.0 million face value of our 11.25% senior unsecured notes due 2013. This purchase was made on the open market between Verde and a third-party broker. The purchase price was 70.0% of face value. In May, 2008, Verde subordinated principal and interest on the \$29.0 million in notes.

In September 2008, Verde purchased an additional \$3.0 million face value of our 11.25% senior unsecured notes due 2013. This purchase was made on the open market between Verde and a third-party broker. The purchase price was 52.0% of face value.

In the second quarter of 2008, Verde provided a total of \$75.0 million in cash to us in return for subordinated notes, bearing interest at 12.0% per annum, and with a maturity date of August 2013.

Loss on Extinguishment of Debt—Related Party

In September 2009, we repurchased the \$32.0 million face value of our 11.25% senior unsecured notes due 2013, which were held by Verde. This repurchase was made at par and resulted in a net loss on extinguishment of debt of \$1.2 million as a result of the write-off of unamortized debt discount and unamortized capitalized loan fees.

Other Related Party Transactions

As of December 31, 2007, Mr. Fidel, the Company’s President and Chief Executive Officer, was obligated to Verde for a \$5.0 million note payable at a fixed rate of interest of 4.0% per annum. Mr. Fidel satisfied this obligation in January 2008, in connection with Mr. Garcia’s purchase of Mr. Fidel’s 5% ownership interest in each of DTAG and DTAC.

(10) Income Taxes

The consolidated financial statements consist of DTAG (S-corporation status elected in 2004) and DTAC (an S-corporation since inception). Since DTAC and DTAG are flow through entities for Federal income tax purposes, there is no Federal income tax expense related to the income of DTAC and DTAG, other than for one of DTAG’s wholly-owned subsidiaries, which is a C-corporation. The taxable income flows through to the shareholders who are responsible for paying the associated taxes. Although most states follow the Federal recognition of S-corporation status, some states do impose an entity level tax on that income; therefore, the tax expense is adjusted accordingly. Income tax liability was \$1.3 million and \$1.1 million as of December 31, 2008 and 2009, respectively and \$1.7 million and \$1.3 million as of March 31, 2009 and 2010, respectively.

A reconciliation between expected taxes computed at the federal statutory rate of 35% and the effective tax rate on income before income taxes follows:

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)			(Unaudited)	
Computed “Expected” Income Taxes	\$ 25,513	\$ 284	\$ 18,454	\$ 4,027	\$ 11,771
Non C-Corporation (Income) / Expense	(24,549)	535	(17,788)	(3,855)	(11,558)
State Income Taxes, Net of Federal Benefit	(625)	—	—	—	—
Entity Level State Income Tax on S Corp. Income	705	450	100	200	200
Other, Net	(44)	(179)	(36)	(2)	(63)
	<u>\$ 1,000</u>	<u>\$1,090</u>	<u>\$ 730</u>	<u>\$ 370</u>	<u>\$ 350</u>

Components of income tax (benefit) expense are as follows:

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)			(Unaudited)	
Current Expense:					
Federal	\$ 920	\$ 640	\$630	\$170	\$150
State	80	450	100	200	200
Deferred	—	—	—	—	—
Total	<u>\$1,000</u>	<u>\$1,090</u>	<u>\$730</u>	<u>\$370</u>	<u>\$350</u>

Tax years that remain subject to examination by major tax jurisdictions include tax years 2006, 2007, 2008, and 2009 at the Federal level for DTAC and DTAG. Only Texas and California have S-corporation level tax and generally those returns are open for audit for 2005 and subsequent years.

(11) Lease Commitments

We lease used car sales facilities, reconditioning centers, our former loan servicing center, our corporate office, an aircraft, and certain other office/computer equipment from unrelated and related entities under various operating leases that expire through January 2025. The leases provide for periodic rent increases and many contain escalation clauses and various renewal options from one to ten years. In certain instances, we are also responsible for occupancy and maintenance costs, including real estate taxes, insurance, and utility costs. We recognize rent expense on a straight-line basis over the length of the lease term. Rent expense, including store closing costs, totaled \$19.2 million, \$21.7 million, and \$18.3 million for the years ended December 31, 2007, 2008, and 2009, respectively, and \$6.2 million and \$3.9 million for the three months ended March 31, 2009 and 2010, respectively.

A summary of future minimum lease payments required under non-cancelable operating leases with remaining lease terms in excess of one year as of December 31, 2009 and March 31, 2010 follows:

	Related Party	Non-Related Party	Total
	(\$ in thousands)		
<u>December 31, 2009</u>			
Year 1	\$ 6,992	\$ 8,374	\$15,366
Year 2	5,756	5,995	11,751
Year 3	5,873	4,444	10,317
Year 4	5,952	3,471	9,423
Year 5	5,639	2,063	7,702
Thereafter	17,612	2,791	20,403
Total	<u>\$47,824</u>	<u>\$27,138</u>	<u>\$74,962</u>

	Related Party	Non-Related Party	Total
	(\$ in thousands)		
March 31, 2010			
Year 1	\$ 6,571	\$ 8,507	\$15,078
Year 2	5,785	6,280	12,065
Year 3	5,902	4,993	10,895
Year 4	5,864	4,055	9,919
Year 5	5,636	2,358	7,994
Thereafter	<u>16,338</u>	<u>3,000</u>	<u>19,338</u>
Total	<u>\$46,096</u>	<u>\$29,193</u>	<u>\$75,289</u>

A summary of future minimum sub-lease income required under non-cancelable operating leases with remaining lease terms in excess of one year as of December 31, 2009 and March 31, 2010 follows:

As of December 31, 2009:

	Total
	(\$ in thousands)
Year 1	\$1,264
Year 2	1,217
Year 3	1,286
Year 4	565
Year 5	—
Thereafter	—
Total	<u>\$4,332</u>

As of March 31, 2010:

	Total
	(\$ in thousands)
Year 1	\$1,270
Year 2	1,237
Year 3	1,238
Year 4	233
Year 5	—
Thereafter	—
Total	<u>\$3,978</u>

We closed 19 stores and four reconditioning facilities during the year ended December 31, 2008. In accordance with ASC 420, we recorded an accrual for lease obligations, severance, and asset disposal costs associated with these closures for the year ended December 31, 2008. These amounts were recorded as a component of general and administrative expenses on the accompanying statement of operations the year ended December 31, 2008. As of December 31, 2008, \$2.9 million remained in accrued expenses and other liabilities on the accompanying consolidated balance sheet for lease obligations. The expiration of these leases at December 31, 2008 range from 2010 to 2019.

We closed an additional nine stores and two reconditioning centers in the year ended December 31, 2009. In accordance with ASC 420, we recorded an aggregate amount of \$5.2 million in lease obligations, severance, and asset disposal costs associated with these closures for the year ended December 31, 2009. These amounts were recorded as a component of general and administrative expenses on the accompanying consolidated statement of operations.

Approximately \$4.1 million, \$4.9 million, and \$3.9 million remains in accrued expenses and other liabilities on the accompanying consolidated balance sheet for these lease obligations as of December 31, 2009, March 31, 2009 and 2010, respectively. At March 31, 2010, the expiration of these leases range from 2010 to 2018.

(12) Shareholder's Equity & Dividends

Prior to December 2009, certain loan covenants limited the amount of cash dividends we may pay to an amount not greater than the percentage of S-corporation taxable income for such quarterly period equal to the highest combined federal, state, and/or local tax rate for individuals. In December 2009, as a result of an amendment of our junior secured notes, we are now permitted to pay cash dividends limited to an amount not greater than the percentage of S-corporation taxable income for such quarterly period equal to the highest combined federal, state, and/or local tax rate for individuals, plus 50% of the difference between taxable earnings less amounts paid for tax.

During the year ended December 31, 2007, we paid \$8.1 million in dividends related to 2006 income and \$43.1 million in dividends related to 2007 income. We did not have any approved but unpaid dividends at December 31, 2007.

During the year ended December 31, 2008, we paid \$12.7 million in dividends related to 2008 income. We did not have any approved but unpaid dividends at December 31, 2008.

During the year ended December 31, 2009, we paid \$27.1 million in dividends related to 2009 income. We did not have any approved but unpaid dividends at December 31, 2009.

(13) Commitments and Contingencies

Executive Bonus. In July 2005, we executed an executive bonus plan with certain of our executives. Under the current terms of the plan, we are committed to make six annual contributions beginning May 1, 2006 and for each year thereafter through May 1, 2011 to fund this program. An executive must remain employed by us to receive these benefits. If the executive terminates his employment without cause or is terminated with cause, any unpaid amounts are forfeited. If the executive is terminated without cause (including on account of disability), the executive will receive all amounts that have been contributed to date. The total potential contributions to be paid under this plan are \$14.0 million, funded by us over the first six years and paid out to the executive in five equal annual installments beginning May 1, 2011. We are recognizing compensation expense under this plan based upon the service period required to receive payments of ten years (exclusive of acceleration and forfeiture clauses).

For the years ended December 31, 2007, 2008, and 2009, we recognized compensation expense of \$1.8 million for each of the three years under this bonus plan. For both the three months ended March 31, 2009 and 2010, we recognized compensation expense of \$0.5 million. As of December 31, 2008 and 2009, we had \$1.8 million and \$1.4 million, respectively, and \$1.3 million and \$0.9 million at March 31, 2009 and 2010, respectively, recorded as a prepaid asset in the accompanying consolidated balance sheets, which represents the amount paid in excess of expense recognized. In accordance with the terms of the bonus plan, in May 2006, 2007, and 2008, we made our annual contributions in the amount of \$2.8 million for each year. In May 2009, the executives that participate in the plan agreed to amend the scheduled plan contributions to be \$1.4 million in May 2009 and May 2010 and \$2.8 million in May 2011, in lieu of the originally scheduled \$2.8 million in May 2009 and May 2010. At December 31, 2008 and 2009, and March 31, 2009 and 2010, we had \$5.6 million, \$4.2 million, \$5.6 million, and \$4.2 million, respectively, remaining to be funded over the remaining term of the bonus plan.

*DT Rewards*TM. Our DT RewardsTM program awarded points to customers for each dollar paid, regardless of whether the payment was paid on time. Points were accumulated and redeemed for a wide array of gifts. The liability for the estimated cost of the program, based on the number of active accounts and the number of eligible points accumulated and historical redemption activity, was adjusted monthly and was charged to selling and marketing expenses. During the third quarter of 2007, we terminated the DT RewardsTM program. The following table reflects activity in the DT RewardsTM accrual:

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)			(Unaudited)	
Balance, Beginning of Period	\$ 3,486	\$ 3,061	\$ 25	\$ 25	\$ —
DT Rewards TM Expense	732	—	7	7	—
DT Rewards TM Claimed	—	(2,128)	(11)	(11)	—
DT Rewards TM Forfeitures/Plan Termination	(1,157)	(908)	(21)	(21)	—
Balance, End of Period	<u>\$ 3,061</u>	<u>\$ 25</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Limited Warranty. The limited warranty accrual is recorded as a component of accrued expenses and other liabilities on the accompanying consolidated balance sheets for each year presented. The following table reflects activity in the warranty accrual for the periods indicated:

	Years Ended December 31,			Three Months Ended March 31,	
	2007	2008	2009	2009	2010
	(\$ in thousands)			(Unaudited)	
Balance, Beginning of Period	\$ 1,275	\$ 1,007	\$ 777	\$ 777	\$ 920
Warranty Expense	5,663	5,393	3,028	941	5,484
Warranty Claims Paid	(5,931)	(5,623)	(2,885)	(710)	(1,133)
Balance, End of Period	<u>\$ 1,007</u>	<u>\$ 777</u>	<u>\$ 920</u>	<u>\$ 1,008</u>	<u>\$ 5,271</u>

(14) Legal Matters

We are involved in various claims and actions arising in the ordinary course of business. In the opinion of management, based on consultation with legal counsel, the ultimate disposition of these matters will not have a material adverse effect on us. We believe appropriate accruals have been made for the disposition of these matters. In accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, we established an accrual for a liability when it is both probable that the liability has been incurred and the amount of the loss can be reasonably estimated. These accruals are reviewed monthly and adjusted to reflect the impact of negotiations, settlements and payments, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Legal expenses related to defense, negotiations, settlements, rulings, and advice of outside legal counsel are expensed as incurred.

On June 9, 2009, a former customer filed a complaint in Los Angeles County Superior Court, alleging the post repossession notice sent to plaintiff was materially defective and incomplete. The plaintiff brought the case as a purported class action in a representative capacity under California's Unfair Competition Law. As of March 31, 2010, we have accrued for estimated awards and attorney fees, although we do not believe such awards and fees are material to our consolidated financial position or results of operations. See footnote 18—Subsequent Events for more information.

In August 2008, we received a Civil Investigative Demand from the Office of Attorney General, Consumer Protection Division, asking for the production of certain materials. The demand indicates it is the subject of an investigation of possible violations of the Deceptive Trade Practices Act, Sections 17.46(a) and (b) in the marketing, advertising, financing, and selling of used cars. We provided the Texas Office of Attorney General with all requested information in August 2008. At that time, we met with the state's Attorney General's Office to provide them with an overview of us and discuss the requested materials. At the meeting, we agreed on some minor changes in the requested materials. In addition, the Attorney General's Office indicated that they would review the materials we provided to them and if there were any concerns they would contact us to meet, discuss and resolve the concerns. We will continue to fully cooperate with the state's Attorney General's Office in responding to the demand and any follow up discussions with them. The Texas Attorney General has requested additional information and documentation from time to time, most recently in February 2010 when it requested clarifying information limited to vehicle inspections, after sale repairs, warranty, loan servicing, and consumer concerns. We believe the request is routine in nature and we have responded accordingly. We believe we are in compliance with all applicable state laws and regulations and we intend to continue to cooperate with state officials. We believe we do not have any qualitative or quantitative loss contingencies related to this matter.

We are currently appealing to the Nevada Supreme Court an adverse administrative ruling on the efficacy of certain sales tax refunds we have requested for the 2002 and 2003 tax years. While only applicable to 2002 and 2003, an adverse ruling could affect subsequent tax years as well. In several of our states, we file for and receive sales tax refunds for sales taxes paid on retail installment sales of the amount related to that portion of the sales price ultimately not collected from our customers. Prior to this adverse ruling, the Department of Taxation of the State of Nevada had, in an audit of tax years 1998-2001, allowed such refunds. The Department is now taking the position that because the contracts are assigned to our related finance company (which they were in certain of our prior periods as well) we are not entitled to the refund. We are vigorously pursuing our rights to the refunds and believe we have a positive position and will prevail in this proceeding. Total sales tax refunds from 2002 through March 31, 2010 were \$4.7 million. We have not accrued any amounts with respect to this matter.

Additionally, in the ordinary course of business, we are a defendant in various other types of legal proceedings. Although we cannot determine at this time the amount of the ultimate exposure from these lawsuits, if any, based on the advice of counsel management does not expect the final outcome to have a material adverse effect on us.

(15) Retirement Plan

We established a qualified 401(k) retirement plan (defined contribution plan), which became effective on October 1, 1995. The plan, as amended, covers substantially all employees having no less than 60 days of service, who have attained the age of 18, and work at least 1,000 hours per year. Participants may voluntarily contribute to the plan up to the maximum limits established by Internal Revenue Service regulations. In 2007, 2008, and 2009, we provided a matching contribution of cash in the amount of 40%, up to the first 6% of each employee's deferrals. Compensation expense related to this plan totaled \$0.9 million, \$0.8 million, and \$0.7 million for the years ended December 31, 2007, 2008, and 2009, respectively, and \$0.2 million for both the three months ended March 31, 2009 and 2010, respectively.

(16) Fair Value of Financial Instruments

Generally Accepted Accounting Principles require that we disclose estimated fair values for our financial instruments. Fair values are based on estimates using quoted market prices, discounted cash flows, or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and the estimated timing and amount of future cash flows. Therefore, the estimates of fair value may differ substantially from amounts that ultimately may be realized or paid at settlement or maturity of the financial instruments and those differences may be material. Accordingly, the aggregate fair value amounts presented do not represent our underlying value. The following summary presents a description of the methodologies and assumptions used to determine such amounts.

Limitations—Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument; they are subjective in nature and involve uncertainties, matters of judgment and, therefore, cannot be determined with ultimate precision. These estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular instrument. Changes in assumptions could significantly affect these estimates.

Since the fair value is estimated as of each balance sheet date presented, the amounts that will actually be realized or paid in settlement of the instruments could be significantly different.

The following is a summary of carrying value and fair value of our financial instruments for each period presented:

	December 31, 2008		December 31, 2009		March 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(\$ in thousands)					
Finance Receivables, Net ⁽¹⁾	\$1,113,301	\$1,063,308	\$1,107,332	\$1,133,936	\$1,159,662	\$1,202,821
Portfolio Warehouse Facilities	398,093	398,093	77,506	77,506	124,265	124,265
Repurchase Facility	46,694	46,694	12,231	12,231	12,292	12,292
Pooled Auto Loan Program Financings . . .	152,591	152,591	527,324	545,400	502,881	520,700
Securitization Debt	181,938	145,966	268,533	269,461	203,834	207,347
Revolving Inventory Facility	64,564	64,564	50,000	50,000	50,000	50,300
Junior Secured Notes Payable	55,100	55,100	62,088	62,088	62,088	62,088
Mortgage Note Payable	13,221	13,221	13,046	9,400	12,997	9,196
Senior Unsecured Notes Payable	119,866	73,700	1,487	1,487	1,491	1,491
Subordinated Notes Payable	75,000	48,000	75,000	69,000	75,000	72,600

⁽¹⁾ Represents finance receivable principal balances, plus accrued interest, less the allowance for credit losses.

Valuation Methodologies

Finance Receivables. The fair value of finance receivables was estimated by discounting future cash flows expected to be collected using current rates at which similar loans would be made to borrowers with similar credit ratings and the same remaining maturities. This discounted cash flow is estimated utilizing internal valuation models, which use a combination of market inputs (i.e. discount rates for similar and like transactions) and our own assumptions regarding credit losses, recoveries, and prepayment rates in our portfolio. We estimate the cash flow of the portfolio and the cash flow of our retained interest in securitization and PALP transactions in measuring total cash flow. These cash flows are developed on a leveraged basis since our receivable portfolio is financed by these debt instruments and are not separable transactions.

Portfolio Warehouse Facilities. The portfolio warehouse facilities are short term in nature and the interest rates adjust in conjunction with the lender's cost of funds or 30-day LIBOR. In November 2007, we entered into a second warehouse facility with the same terms and rates as our then-existing facility. Since this facility was executed in close proximity to December 31, 2007, and contains a floating market rate of interest, the fair value of these facilities approximates carrying value at December 31, 2007. In December 2008, our warehouse facilities were amended, with changes to interest rates, term, and advance rates; therefore, fair value at December 31, 2008 approximates carrying value. On July 31, 2009, we terminated one of our warehouse facilities and amended and extended the other facility, with amendments to term, rate, and advance rates. At March 31, 2010, fair value approximates market value due to the adjustable rate nature of this debt instrument, and the ability to pre-pay at any time.

Repurchase Facility. This facility was a 30-day rolling instrument with interest based on LIBOR. Since the lender had the ability to change or call the debt due each 30 days, the fair value of this facility approximated carrying value at December 31, 2008. The fair value of the repurchase facility debt at December 31, 2009 and March 31, 2010 approximates carrying value since this debt instrument was executed in December 2009 and is a rolling facility which can be renewed or terminated at the lender's option, every 30 days.

Pooled Auto Loan Program Financings. In November and December 2008, we entered into two PALP agreements. Since these instruments were executed within close proximity of December 31, 2008, the fair value of this debt approximates carrying value at December 31, 2008. In July 2009, we entered into a new PALP financing agreement which provides for the monthly sale of finance receivables through July 2010. This agreement also conformed the terms, except for interest rates which remained unchanged for prior transactions, of any previous PALP transactions to this lender to be one and the same. The fair value of PALP debt at December 31, 2009 and March 31, 2010 is based on third party discounted cash flow using market interest rates for this debt.

Securitization Debt. The fair value of securitization debt was estimated using third party quoted market prices.

Revolving Inventory Facility. The revolving inventory facility was renewed in August 2007, August 2008, and August 2009, with each renewal for a 12 month term. Since the term and interest rate of this facility did not materially change from period to period, fair value approximates carrying value at December 31, 2007 and 2008. At December 31, 2009 and March 31, 2010, the fair value of the inventory facility was determined third party discounted cash flow using market interest rates for this debt.

Junior Secured Notes Payable. At December 31, 2008, the terms of our junior secured notes payable approximate the terms in the market place at which they could be replaced. These notes were executed in December 2008 under then current market conditions. Therefore, the fair value approximates the carrying value of these financial instruments. At December 31, 2009 and March 31, 2010, the fair value of these notes was determined using a third-party valuation based on similar types of debt instruments. The valuation resulted in fair value equal to carrying value due to a pre-payment option on these notes.

Mortgage Note Payable. This note was executed in February 2007 and bears a fixed rate of interest. Since mortgage interest rates on commercial properties did not change significantly from February 2007 to December 2007 and 2008, fair value approximates market value at December 31, 2007 and 2008. At December 31, 2009 and March 31, 2010, the fair value of this note was determined using third-party market prices for similar commercial real estate mortgages.

Senior Unsecured Notes Payable. The fair value at December 31, 2007 and 2008 was determined using the prices that were paid for purchases of portions of this debt by us or our shareholder from third-party holders. At December 31, 2009 and March 31, 2010, the fair value of the senior unsecured notes was determined to be par due to the short term to maturity and our ability to pre-pay the balance remaining.

Subordinated Notes Payable. At December 31, 2008 and 2009 and March 31, 2010, fair value of these notes was determined using a third-party valuation based on similar types of debt instruments.

(17) Non-cash Compensation Expense

In January 2008, Mr. Garcia entered into an agreement with Mr. Fidel to purchase Mr. Fidel's 5% interest in DTAG and DTAC for \$17.5 million. The terms of the purchase were such that Mr. Garcia paid Mr. Fidel \$6.25 million in cash and \$11.25 million in a promissory note bearing interest at 8.0% per annum. The term of the note is five years with annual installment payments required.

The agreement contains an employment condition, requiring Mr. Fidel to remain employed with the Company through June 30, 2010. In the event Mr. Fidel voluntarily terminates his employment as the President and Chief Executive Officer of the Company at a time prior to June 30, 2010, one-half of the principal balance of the note shall be waived and no longer is payable by Mr. Garcia.

Accordingly, one-half of the \$11.25 million note is deemed compensation expense to be recognized over the term of the employment condition.

(18) Subsequent Events—Unaudited

We have evaluated subsequent events for potential recognition and/or disclosure through March 19, 2010, the original issuance date of the December 31, 2009 financial statements, and we reconsidered subsequent events through May 10, 2010, the date we reissued our December 31, 2009 financial statements.

For our March 31, 2010 financial statements we have evaluated subsequent events potential recognition and/or disclosure through May 14, 2010, or the date the financial statements were available for issuance.

Accordingly, the following disclosures apply:

In April 2010, we paid \$20.0 million in dividends to our sole shareholder related to the first quarter 2010 earnings.

In April 2010, we entered into a portfolio warehouse facility with an affiliate of UBS Securities LLC secured primarily by finance receivables, which currently allows for maximum borrowings of \$125.0 million. This revolving facility provides for funding through April 2011 with a term-out feature resulting in a final maturity of April 2012. This facility includes terms and conditions, including the inability of the lender to subjectively lower collateral values and effectively lower the advance rate; limits recourse to specified collateral (other than for 10% of the facility amount); and limits foreclosure rights upon a default.

In May 2010, we entered into a \$350.0 million combined warehouse and warehouse residual facility with an affiliate of Banco Santander, S.A., secured primarily by finance receivables and residual interests in our warehouse facilities. This facility allows for maximum borrowings under a term component of \$100.0 million and under a revolving component of \$250.0 million, with a total combined effective advance rate of 75% of finance receivables. The term component provides for funding through April 2012 with a term-out feature resulting in a final maturity of April 2013. The revolving component provides for funding through April 2011 with a term-out feature resulting in a final maturity of April 2012, if not renewed.

In May 2010, we received a commitment letter from an affiliate of RBS Securities Inc. pursuant to which we would, subject to definitive agreements, enter into a new portfolio warehouse facility, secured primarily by finance receivables, which would allow for initial borrowings of \$50.0 million, expanding to \$100.0 million at January 2011.

In May 2010 we repaid \$10.0 million of the then outstanding amount of our inventory facility agreement and agreed to terms with the lenders to reduce its capacity from \$60.0 million to \$50.0 million.

On June 9, 2009, a former customer filed a complaint in Los Angeles County Superior Court, alleging the post repossession notice sent to the former customer was materially defective and incomplete. The plaintiff brought the case as a purported class action in a representative capacity under California's Unfair Competition Law. The parties entered into negotiations and reached a settlement, which the court preliminarily approved on April 22, 2010. The amount we had accrued at December 31, 2009 and March 31, 2010 was sufficient to cover the settlement.

(19) Quarterly Financial Data—Unaudited

A summary of the quarterly financial data follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(\$ in thousands)				
2010					
Total Revenue	\$297,038				\$ 297,038
Costs and Expenses ⁽¹⁾	\$263,405				\$ 263,405
Income before Income Taxes	\$ 33,633				\$ 33,633
Net Income	\$ 33,283				\$ 33,283

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(\$ in thousands)				
2009:					
Total Revenue	\$286,745	\$233,025	\$233,165	\$193,347	\$ 946,282
Costs and Expenses ⁽¹⁾	\$275,238	\$195,199	\$224,238	\$198,880	\$ 893,555
Income / (loss) before Income Taxes	\$ 11,507	\$ 37,826	\$ 8,927	\$ (5,533)	\$ 52,727
Net Income / (loss)	\$ 11,137	\$ 37,536	\$ 8,817	\$ (5,493)	\$ 51,997

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(\$ in thousands)				
2008:					
Total Revenue	\$364,998	\$249,976	\$241,207	\$202,444	\$1,058,625
Costs and Expenses ⁽¹⁾	\$342,926	\$256,508	\$236,336	\$222,045	\$1,057,815
Income / (loss) before Income Taxes	\$ 22,072	\$ (6,532)	\$ 4,871	\$ (19,601)	\$ 810
Net Income / (Loss)	\$ 21,652	\$ (6,982)	\$ 4,801	\$ (19,751)	\$ (280)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(\$ in thousands)				
2007:					
Total Revenue	\$374,276	\$288,619	\$289,683	\$261,671	\$1,214,249
Costs and Expenses	\$328,965	\$259,251	\$285,592	\$267,546	\$1,141,354
Income / (loss) before Income Taxes	\$ 45,311	\$ 29,368	\$ 4,091	\$ (5,875)	\$ 72,895
Net Income / (Loss)	\$ 44,811	\$ 28,779	\$ 3,841	\$ (5,536)	\$ 71,895

⁽¹⁾ Includes net gains on extinguishment of debt.



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12.625% Senior Secured Notes due 2017

Offering Memorandum

Jefferies & Company

RBS

UBS Investment Bank

Stephens Inc.

Baird

JMP Securities

May 27, 2010
