ONYX ACCEPTANCE CORP
Form 424B5
February 02, 2004

This filing is made pursuant to Rule 424(b)(5) under the Securities Act of 1933 in connection with Registration No. 333-109545

Current Interest Rates

This is a supplement to the Prospectus dated January 29, 2004

Current Interest Rates for Renewable Unsecured Subordinated Notes Offered by Onyx Acceptance Corporation

Interest Rates Effective January 29, 2004

PORTFOLIO AMOUNT(1)	**$1,000 - $24,999**		**$25,000 - $49,999**		**$50,000 - $74,999**		**$75,000 - $99,999**		**Over $100,000**	
NOTE TERM	Interest Rate %	Annual Yield %	Interest Rate %	Annual Yield %	Interest Rate %	Annual Yield %	Interest Rate %	Annual Yield %	Interest Rate %	Annual Yield %
3 Month (2)	4.25%	4.34%	4.35%	4.45%	4.45%	4.55%	4.55%	4.65%	4.65%	4.76%
6 Month (2)	4.65%	4.76%	4.75%	4.86%	4.85%	4.97%	4.95%	5.07%	5.05%	5.18%
1 Year (3)	5.95%	6.13%	6.05%	6.24%	6.15%	6.34%	6.25%	6.45%	6.35%	6.56%
2 Year (3)	6.55%	6.77%	6.65%	6.88%	6.75%	6.98%	6.85%	7.09%	6.95%	7.20%
3 Year (3)	6.95%	7.20%	7.05%	7.30%	7.15%	7.41%	7.25%	7.52%	7.35%	7.63%
4 Year (3)	7.45%	7.73%	7.55%	7.84%	7.65%	7.95%	7.75%	8.06%	7.85%	8.17%
5 Year (3)	8.45%	8.82%	8.55%	8.93%	8.65%	9.03%	8.75%	9.14%	8.85%	9.25%
10 Year (3)	8.95%	9.36%	9.05%	9.47%	9.15%	9.58%	9.25%	9.69%	9.35%	9.80%

(1) We determine the applicable portfolio amount at the time you purchase or renew a note by aggregating the principal amount of all notes issued by Onyx Acceptance Corporation that are currently owned by you and your immediate family members. Immediate family members include parents, children, siblings, grandparents and grandchildren. Members of a sibling s family are also considered immediate family members if the holder s sibling is also a noteholder.

(2) The annual yield calculation assumes that:

a. the term of the note is renewed sequentially for an entire year,

b. the interest earned during each term is included in the principal amount for the next term,

c. the listed interest rate is the interest rate for each term, and

d. the accrued interest is paid annually.

(3) The annual yield calculation assumes that accrued interest is paid annually.

The description in this prospectus supplement of the terms of these notes adds to the description of the general terms and provisions of the notes in the accompanying prospectus. Investors should rely on the description of the notes in this supplement if it is inconsistent with the description in the prospectus.

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PROSPECTUS

$51,779,368.37

Onyx Acceptance Corporation

Three and Six Month Renewable Unsecured Subordinated Notes

One, Two, Three, Four, Five and Ten Year Renewable Unsecured Subordinated Notes

We are offering up to $51,779,368.37 aggregate principal amount of our renewable unsecured subordinated notes. We may offer the notes from time to time with maturities ranging from three months to ten years. However, depending on our capital needs, notes with certain terms may not always be available. We will establish interest rates on the securities offered in this prospectus from time to time in prospectus supplements. The notes are unsecured obligations and your right to payment is subordinated in right of payment to all of our existing or future senior, secured, unsecured and subordinate indebtedness. Upon maturity, the notes will be automatically renewed for the same term as your maturing note and at an interest rate that we are offering at that time to other investors for notes of the same term, unless we or you elect not to have them renewed. If notes of the same term are not then being offered, the interest rate upon renewal will be the rate specified by us on or before maturity, or the rate of the existing note if no such rate is specified. The interest rate on your renewed note may be different than the interest rate on your original note. After giving you thirty days advance notice, we may redeem all or a portion of the notes for their original principal amount plus accrued and unpaid interest. You also may request us to repurchase your notes prior to maturity; however, unless the request is due to your death or disability, we will charge you a penalty of up to three months interest on notes with three month maturities and up to six months interest on all other notes. Our obligation to repurchase notes for any reason is limited to $1 million per calendar quarter.

The notes will be marketed and sold through Sumner Harrington Ltd., which is acting as our selling agent for the notes. The notes will not be listed on any securities exchange or quoted on Nasdaq or any over-the-counter market and will not be rated. Sumner Harrington Ltd. does not intend to make a market in the notes and we do not anticipate that a market in the notes will develop. There will be significant restrictions on your ability to transfer or resell the notes. Sumner Harrington Ltd. also will act as our servicing agent in connection with our ongoing administrative responsibilities for the notes.

The notes are not certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation or any other governmental or private fund or entity. Investing in the notes involves risks which are described in Risk Factors beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	100.00%	100.00%
Selling agent commissions	3.00%	3.00%
Proceeds to Onyx, before expenses	97.00%	97.00%

The selling agent will not receive the entire 3.0% gross commission on notes with terms of one year or less unless the notes are successively renewed for a total term of two years. See Plan of Distribution for a description of additional compensation payable to the selling agent and its affiliate in connection with services rendered in offering and selling the notes, serving as the servicing agent and providing and managing the advertising and marketing functions related to the sale of the notes. There will be no underwriting discount.

Sumner Harrington Ltd. is not required to sell any specific number or dollar amount of notes but will use its best efforts to sell the notes offered.

We will issue the notes in book-entry or uncertificated form. Subject to certain limited exceptions, purchasers will not receive a certificated security or a negotiable instrument that evidences their notes. Sumner Harrington Ltd. will deliver written confirmations to purchasers of the notes. U.S. Bank National Association, St. Paul, Minnesota, will act as trustee for the notes.

SUMNER HARRINGTON LTD.

The date of this Prospectus is January 29, 2004.

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Onyx Acceptance Corporation is a specialized consumer finance company engaged in the purchase, origination, securitization and servicing of motor vehicle retail installment contracts originated by franchised and select independent automobile dealerships in the United States. We focus our efforts on acquiring contracts that are collateralized by late model used and, to a lesser extent, new automobiles, that are entered into with purchasers whom we believe have a favorable credit profile. Since we started purchasing, originating and servicing motor vehicle contracts in February 1994 through September 30, 2003, we have acquired more than $9.9 billion in auto receivables, and we currently have relationships with over 11,000 dealerships. We have expanded our operations from a single office in California to 18 auto finance centers serving many regions of the United States.

	Years Ended December 31,					Nine Months Ended September 30, 2003
	1998	1999	2000	2001	2002*	
	(In thousands, except for per share amounts)					
Total revenues	$ 64,811	$ 94,670	$ 100,857	$ 101,002	$ 92,125	$ 82,168
Net income	6,076	9,792	5,835	4,410	1,883	3,491
Net income per diluted share	$ 0.95	$ 1.50	$ 1.00	$ 0.84	$ 0.36	$ 0.63
Diluted shares outstanding	6,425	6,514	5,811	5,232	5,179	5,514
Total assets	$ 275,422	$ 393,835	$ 331,380	$ 386,285	$ 367,157	$ 401,519
Stockholders equity	43,824	53,108	55,593	59,701	64,913	73,944
Servicing portfolio at period end	$ 1,345,961	$ 2,133,460	$ 2,690,607	$ 2,864,338	$ 2,905,968	$ 2,849,201
Contracts purchased	$ 1,038,535	$ 1,559,004	$ 1,671,703	$ 1,606,330	$ 1,614,041	$ 1,204,616

[Bar chart showing dollar amount of revenues for the years ended December 31, 1998, 1999, 2000, 2001, 2002* and the nine months ended September 30, 2003]

[Bar chart showing the number of contracts purchased for the years ended December 31, 1998, 1999, 2000, 2001, 2002 and the nine months ended September 30, 2003]

[Bar chart showing dollar amount of servicing portfolio for the years ended December 31, 1998, 1999, 2000, 2001, 2002 and the nine months ended September 30, 2003]

[Bar chart showing the number of dealer relationships for each quarter from the first quarter of 2001 through the third quarter of 2003]

* Results for 2002 as restated in the Company s 10-K/A for December 31, 2002, filed on September 23, 2003.

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PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus and may not contain all the information that may be important to you. You should read the entire prospectus before making an investment decision. Certain industry terms that we use are defined in the Glossary which begins on page 36.

Onyx

We are a specialized consumer finance company engaged in purchasing, securitizating and servicing motor vehicle retail installment contracts originated by franchised and select independent automobile dealerships in the United States. We focus our efforts on acquiring contracts that are secured by late model used and, to a lesser extent, new automobiles entered into with purchasers whom we believe have a favorable credit profile. Since we started purchasing, originating and servicing motor vehicle contracts in February 1994 through September 30, 2003, we have acquired more than $9.9 billion in auto receivables, and we have established relationships with over 11,000 dealerships. We have expanded our operations from a single office in California to 18 auto finance centers serving many regions of the United States.

Business

Our principal objective is to become one of the leading sources of near-prime auto lending in the United States by leveraging the experience of our senior management team in this industry. We seek to attain and increase profitability by implementing the following strategies:

Targeted Market and Product Focus. We have positioned ourselves as one of the lowest loan-to-value and payment-to-income lenders in the near-prime auto finance market. We target the near-prime auto lending market because we believe that it produces greater origination and operating efficiencies than does the sub-prime lending market. We focus primarily on late model used motor vehicles because we believe the risk of loss on used vehicles is lower due to lower depreciation rates. Furthermore, motor vehicle contracts secured by used motor vehicles generally bear interest at rates that are higher than new motor vehicle contracts. In addition, we believe that the late model used motor vehicle finance market is growing at a faster rate than is the finance market for new motor vehicles.

Localized Dealership Service. We provide a high level of service to our dealership base by marketing to and servicing dealerships on a local level through our auto finance centers. Our credit and account manager teams service our dealers locally and are able to provide a quick decision process with respect to potential motor vehicle contracts submitted to us by our dealers for purchase. These teams use our proprietary credit evaluation system based on our underwriting standards. We strategically locate our auto finance centers in geographic areas with many dealerships to facilitate personal service.

Expansion of Dealership Customer Base. We establish active relationships with a substantial percentage of franchised dealerships in the regions in which we do business through our existing auto finance centers. We intend to establish additional dealer relationships as we continue our expansion plans in the future.

Maintenance of Underwriting Standards and Portfolio Performance. We have developed an underwriting process that is designed to achieve attractive yields while minimizing delinquencies and losses. The underwriting process emphasizes a personal, hands-on analysis of the creditworthiness of each applicant rather than sole reliance on a credit scoring system. We also audit many motor vehicle contracts that we purchase within days of their origination to further assure adherence to our underwriting guidelines.

Technology-Supported Operational Controls. We have developed and instituted control and review systems that enable us to monitor both our operations and the performance of the motor

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vehicle contracts we service. These systems allow us to monitor motor vehicle contract production, yields and performance on a continuous and real-time basis.

Liquidity Through Warehousing and Securitizations. Our strategy is to complete securitizations on a regular basis and to use warehouse credit facilities to fund the acquisition or origination of motor vehicle contracts prior to securitization. We also utilize both securitization and hedging strategies to leverage our capital efficiently and substantially reduce our interest rate risk.

As these strategies indicate, our focus is on controlled growth, rather than increasing our volume at any cost. We are committed to a long-term profitable growth strategy in the near-prime auto lending market.

We were incorporated in California in 1993, and reincorporated in Delaware in 1996 in connection with our initial public offering of common stock in March 1996. Our principal executive offices are located at 27051 Towne Centre Drive, Suite 100, Foothill Ranch, California 92610, and our telephone number is (949) 465-3900.

The Offering

Issuer	Onyx Acceptance Corporation.
Trustee	U.S. Bank National Association.
Selling and Servicing Agent	Sumner Harrington Ltd.
Paying Agent	Wells Fargo Bank Minnesota, N.A.
Securities Offered	Renewable Unsecured Subordinated Notes. The notes represent our unsecured promise to repay principal at maturity and to pay interest during the term or at maturity. By purchasing a note, you are lending money to us.
Method of Purchase	Prior to your purchase of notes, you will be required to complete a subscription agreement that will set forth the principal amount of your purchase, the term of the notes and certain other information regarding your ownership of the notes. The form of subscription agreement is filed as an exhibit to the registration statement of which this prospectus is a part. We will mail you written confirmation that your subscription has been accepted.
Denomination	You can choose the denomination of the notes you purchase in any principal amount of $1,000 or more, including odd amounts.
Offering Price	100% of the principal amount per note.
Recission Right	You will have three business days following your receipt of a written confirmation that evidences the valid issuance of the note to rescind your subscription. See Description of the Notes Rescission Right for additional information on your rescission right, including the ways in which you may provide notice to us of your rescission and the time by which notice must be received.
Maturity	You can generally choose maturities for your notes of 3 or 6 months or 1, 2, 3, 4, 5 or 10 years; however, depending on our capital requirements at the time, we may not always sell notes of all maturities.
Interest Rate	The interest rate of the notes will be established at the time you purchase them, or at the time of renewal, based upon the rates we are offering in our latest supplement to this prospectus, and will remain fixed throughout the term of the notes. We will generally offer higher rates of interest to investors with larger aggregate note portfolios, as set forth in the then current prospectus supplement.

Interest Payment Dates	You can choose to receive interest payments monthly, quarterly, semiannually, annually or at maturity. If you choose to receive interest payments monthly, you can choose the day on which you will be paid, subject to our approval. You may change this interest payment date once during the term of your note.
Principal Payment	We will not pay principal over the term of the notes. We are obligated to pay the entire principal balance of the outstanding notes upon maturity.
Payment Date	Principal and interest payments will be made by an electronic funds transfer to a depository account you designate in your subscription documents.
Renewal or Redemption at Maturity	Upon maturity, the notes will be automatically renewed for the same term at the interest rate we are offering for notes of the same maturity at that time to other investors, unless we notify you prior to maturity that we intend to repay the notes or you notify us within 15 days after maturity that you want your notes repaid. The interest rate being offered upon renewal may be different than the interest rate on your original note. See Description of the Notes Renewal or Redemption on Maturity.
Optional Redemption or Repurchase	After giving you 30 days prior notice, we may redeem the notes at a price equal to their original principal amount plus accrued and unpaid interest. You may request us to repurchase your notes prior to maturity; however, unless the request is due to your death or disability, we will charge you a penalty of up to three months interest on notes with three month maturities and up to six months interest on all other notes. The total principal amount of notes that we will be required to repurchase, for any reason, in any calendar quarter will be limited to $1 million. See Description of Notes Redemption or Repurchase Prior To Stated Maturity.
Consolidation, Merger or Sale	Upon any consolidation, merger or sale of our company, we will either redeem all of the notes or our successor will be required to assume our obligations to pay principal and interest on the notes pursuant to the indenture. For a description of these provisions see Description of the Notes - Consolidation, Merger or Sale.
Ranking; No Security	The notes: are unsecured; rank junior to our existing and future senior debt, including debt we may incur under our

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	existing and future credit facilities and debt held by our special purpose entities;
	rank junior to our existing and future secured debt;
	rank junior to our existing and future subordinated debt, except for offerings of additional renewable unsecured subordinated notes which will rank equally with the notes;
	rank junior to our existing and future unsecured debt, except for offerings of additional renewable unsecured subordinated notes which will rank equally with the notes; and
	rank senior to our existing and future debt that is primarily held by our affiliates, subsidiaries or control persons, except for debt held by our special purpose entities.
	As of September 30, 2003, we had approximately $294.1 million of outstanding debt senior to the notes, including debt held by our special purpose entities. As of September 30, 2003, we also had approximately $33.4 million of renewable unsecured subordinated notes outstanding. See Capitalization.
Restrictive Covenants	The indenture governing the notes contains only limited restrictive covenants. These covenants:
	require us to maintain a positive net worth, which includes stockholders equity and subordinated debt;
	prohibit us from paying dividends on our capital stock if there is an event of default with respect to the notes or a payment of the dividend would result in an event of default; and
	restrict us from entering into certain transactions with affiliates.
	The covenants set forth in the indenture are more fully described under Description of Notes Restrictive Covenants. These covenants have significant exceptions.
Use of Proceeds	If all the notes are sold, with maturities of two years or more, we would expect to receive approximately $50.0 million of net proceeds from this offering after deducting the selling agent s commissions and estimated offering expenses payable by us. We intend to use the net proceeds to expand our business and for other

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	general corporate purposes. See Use of Proceeds.
Absence of Public Market and Restrictions on Transfers	There is no existing market for the notes. Sumner Harrington Ltd. has advised us that it does not intend to make a market in the notes after the completion of this offering and we do not anticipate that a secondary market for the notes will develop. We do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes in any automated dealer quotation system. You will be able to transfer or pledge the notes only with our prior written consent. See Description of the Notes - Transfers.
Book Entry	The notes will be issued in book entry or uncertificated form only. Except under limited circumstances, the notes will not be evidenced by certificated securities or negotiable instruments. See Description of the Notes Book Entry Registration and Transfers.

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RISK FACTORS

The risk factors discussed below, as well as additional factors that may be incorporated by reference from time to time, could cause our actual results to differ materially from those expressed in any forward-looking statements. See Forward-Looking Statements. Although we have attempted to list comprehensively these important factors, we caution you that other factors may in the future prove to be important in affecting our results of operations. New factors emerge from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

The risks described below set forth the material risks associated with the purchase of notes. Before you invest in the notes, you should carefully consider these risk factors, as well as the other information contained in this prospectus and in the documents incorporated by reference into this prospectus.

Risk Factors Relating to the Notes

The Notes May Not Be a Suitable Investment for All Investors

The notes may not be a suitable investment for you, and we advise you to consult your investment, tax and other professional financial advisors prior to purchasing notes. The characteristics of the notes, including maturity, interest rate and lack of liquidity, may not satisfy your investment objectives. The notes may not be a suitable investment for you based on your ability to withstand a loss of interest or principal or other aspects of your financial situation, including your income, net worth, financial needs, investment risk profile, return objectives, investment experience and other factors. Prior to purchasing any notes, you should consider your investment allocation with respect to the amount of your contemplated investment in the notes in relation to your other investment holdings and the diversity of those holdings.

You Lack Priority in Payment on the Notes

Your right to receive payments on the notes is junior to substantially all of our existing indebtedness and future borrowings (including debt of our special purpose entities). Your notes will be subordinated to the prior payment in full of all of our other debt obligations except loans from affiliates, subsidiaries, other than our special purpose entity subsidiaries, or control persons. Your notes are also senior to the company s financial obligations to its stockholders in that capacity. As of September 30, 2003, we had approximately $294.1 million of indebtedness, including indebtedness held by our special purpose entities, which will rank senior to your notes. In addition, we may incur substantial additional indebtedness in the future which would also rank senior to your notes. Because of the subordination provisions of the notes, in the event of our bankruptcy, liquidation or dissolution, our assets would be available to make payments to you under the notes only after all payments had been made on all of our secured and unsecured indebtedness that is senior to the notes. Sufficient assets may not remain after all such senior payments have been made to make any payments to you under the notes, including payments of interest when due or principal upon maturity.

There Will be No Trading Market for the Notes Which May Make it Difficult to Transfer Your Notes

Your ability to liquidate your investment is limited because of transfer restrictions, the lack of a trading market and the limitation on repurchase requests prior to maturity. Your notes may not be transferred without our prior written consent. In addition, there will be no trading market for the notes. Due to the restrictions on transfer of the notes and the lack of a market for the sale of the notes, even if we permitted a transfer, you might be unable to sell, pledge or otherwise liquidate your investment. Also, repurchases of the notes prior to maturity at the request of the holders of the notes are subject to repurchase penalties of up to three months interest on notes with three month maturities and up to six months interest on notes with maturities of six months or longer. The total principal amount of notes that we will be required to repurchase in any calendar quarter, for any reason, will be limited to $1 million. See Description of the Notes.

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The Notes will have No Sinking Fund, Security, Insurance or Guarantee

There is no sinking fund, security, insurance or guarantee for our obligation to make payments on the notes, so you will have to rely on our cash flow from operations and other sources of funds for repayment. The notes are not secured by any of our assets. We do not contribute funds to a separate account, commonly known as a sinking fund, to make interest or principal payments on the notes. The notes are not certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation, or any other governmental or private fund or entity. Therefore, if you invest in the notes, you will have to rely only on our cash flow from operations and other sources of funds for repayment of principal at maturity or redemption and for payment of interest when due. If our cash flow from operations and other sources of funds are not sufficient to pay the notes, then you may lose all or part of your investment.

The Notes Will Automatically Renew Unless You Request Repayment

Upon maturity, the notes will be automatically renewed for the same term as your maturing note and at an interest rate that we are offering at that time to other investors for notes of the same term, unless we notify you prior to maturity that we intend to repay the notes or you notify us within 15 days after maturity that you want your notes repaid. If notes with the same term are not then being offered, the interest rate upon renewal will be the rate specified by us on or before the maturity date, or the rate of the existing note if no such rate is specified. The interest rate on your renewed note may be lower than the interest rate of your original note. In addition, if you fail to notify us of your desire not to have your notes renewed within the specified time period, your notes will automatically renew and any requests for repurchases after your notes are renewed will be subject to early repurchase penalties and the limitations on the amount of notes we will repurchase in any calendar quarter.

We have Substantial Indebtedness that is Senior to the Notes, Which May Affect our Ability to Repay the Notes

We have now and, after we sell these notes, will continue to have a substantial amount of indebtedness. Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under the notes by, among other things:

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

We Might Incur Substantially More Indebtedness Which Will be Senior to Your Notes

Subject to limitation contained in our credit facility agreements and in the indenture, we may incur substantial additional indebtedness in the future. While the indenture for the notes requires us to maintain a positive net worth, it does not prohibit us from incurring additional indebtedness. In fact, we expect to enter into additional credit facilities in the future. Any such borrowings would be senior to the notes. If we borrow more money, the risks to noteholders described above could intensify. See Capitalization and Description of the Notes.

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Our Management has Broad Discretion Over the Use of Proceeds

Our management has broad discretion over how to use the proceeds from the offering and may choose not to use the funds to pay down debt that is senior to the notes. It is expected that we will use the proceeds from the offering primarily to expand our business and for other general corporate purposes, which may include the payment of general and administrative expenses. Because no specific allocation of the proceeds will be required in the indenture, our management will have broad discretion in determining how the proceeds of the offering will be used. Management could use the funds for purposes other than to pay down debt that is senior to the notes. See Use of Proceeds.

We are Subject to Many Restrictions in Our Credit Facilities and the Indenture

The terms of our credit facilities impose significant operating and financial restrictions on us and our subsidiaries and require us to meet certain financial tests. The indenture for the notes also imposes certain limited restrictions on our ability and that of our subsidiaries to take certain actions. These restrictions may have an adverse impact on our business activities, results of operations and financial condition. These restrictions may also significantly limit or prohibit us from engaging in certain transactions, including the following:

- incurring or guaranteeing additional indebtedness;
- paying dividends or other distributions to our stockholders or redeeming, repurchasing or retiring our capital stock or subordinated obligations;
- making investments;
- making capital expenditures;
- creating liens on our assets;
- issuing or selling capital stock of our subsidiaries;
- transferring or selling assets currently held by us;
- engaging in transactions with affiliates; and
- engaging in mergers or consolidations.

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

You Will Have Only Limited Protection Under the Indenture

The indenture governing the notes contains only limited restrictions on our activities and only limited events of default, and thus, provides only limited protection to you. In comparison to the restrictive covenants that are imposed on us by our other credit facilities and borrowing arrangements, the indenture governing the notes contains relatively minimal restrictions on our activities. In addition, the indenture contains only limited events of default other than our failure to pay principal and interest on time. Because there are only very limited restrictions and limited events of default under the indenture, we will not be restricted from issuing additional debt senior to your notes or be required to maintain any ratios of assets to debt in order to increase the likelihood of timely payments to you under the notes. Further, if we default in the payment of the notes or otherwise under the indenture, you may have to rely on the trustee to exercise your remedies on your behalf. You may not be able to seek remedies against us directly. See Description of the Notes Events Of Default.

Our Right to Redeem the Notes Prior to Maturity May Result in Reinvestment Risk For You

We have the right to redeem any note at any time prior to its stated maturity upon 30 days written notice to you. The notes will be redeemed at 100% of the principal amount plus accrued but unpaid interest up to but not including the redemption date. Any such redemption may have the effect of reducing the income or return on investment that any investor may receive on an investment in the notes by reducing the term of the investment. If this occurs, you may not be able to reinvest the proceeds at an interest rate comparable to the rate paid on the notes. See Description of the Notes Redemption or Repurchase Prior To Stated Maturity.

Risk of Termination of Distribution and Management Agreement.

The Distribution and Management Agreement, as amended (all references hereafter, as amended), between us and Sumner Harrington Ltd. may be terminated by either party by prior notice. Therefore, it is not certain Sumner Harrington Ltd. will be responsible for the marketing, sale and administration of the notes for the duration of this offering. Other parties, including our company, may take over the functions currently provided by Sumner Harrington Ltd. Therefore, you should not rely on Sumner Harrington Ltd. continuously being responsible for the marketing, sale and administration of the notes.

You May Be Required to Pay Taxes on Accrued Interest on Notes Prior to Receiving Interest Payments.

If you choose to have interest on your note paid at maturity and the term of your note exceeds one year, you may be required to pay taxes on the accrued interest prior to our making any interest payments to you. You should consult your tax advisor to determine your tax obligations.

Risk Factors Relating to Onyx

We Require a Substantial Amount of Cash to Service our Indebtedness

To service our indebtedness, we require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, including our successful financial and operating performance. We cannot assure you that our business strategy will continue to succeed or that we will achieve our anticipated financial results. Our financial and operational performance depends upon a number of factors, many of which are beyond our control. These factors include:

- the current economic and competitive conditions in the asset-backed securities market;
- the current credit quality of our motor vehicle contracts;
- any operating difficulties or pricing pressures we may experience;
- our ability to obtain credit enhancement;
- the passage of laws or regulations that affect us adversely; and
- any delays in implementing any strategic projects we may have.

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

We Need Substantial Liquidity to Operate our Business

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

- acquire motor vehicle contracts;
- pay dealer participation;
- pay securitization costs and fund spread accounts;
- settle hedge transactions;
- satisfy working capital requirements and pay operating expenses; and
- pay interest expense.

When we securitize our motor vehicle contracts, we report a gain on the sale of those contracts. This gain represents a substantial portion of our revenues. However, although we report this gain at the time of sale, we receive the monthly cash payments on these contracts which represent these revenues over the life of the motor vehicle contracts, rather than at the time of sale. Similarly, we recover the cash paid by us for dealer participation over the life of the related motor vehicle contracts, rather than at the time of sale. As a result, a substantial portion of our reported revenues does not represent immediate cash liquidity.

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

We Depend on Warehouse Financing

We depend on credit and warehouse facilities with financial institutions to finance our purchases of motor vehicle contracts. Our business strategy requires that these credit and warehouse financing sources continue to be available to us from the time of purchase or origination of a motor vehicle contract until its sale through a securitization. If we are unable to arrange new warehousing credit facilities or extend our existing credit facilities when they come due, our results of operations, financial condition and cash flows could be materially and adversely affected and we may be unable to make payments on the notes.

We depend substantially on two warehouse lines of credit. We have a warehouse line of credit with Triple-A One Funding Corporation which was renewed in November 2001 (this facility currently has a borrowing capacity of $300 million). Unless earlier terminated upon the occurrence of certain events, this facility will expire in November 2004. We also have a $150 million warehouse line of credit with CDC Financial Products Inc. which was executed in January 2003. Unless earlier terminated upon the occurrence of certain events, this facility will expire in January 2005. These warehouse facilities will remain available to us only if, among other things, we comply with certain financial covenants contained in the documents governing these facilities. These warehouse facilities may not be available to us in the future and we may not be able to obtain other credit facilities on favorable terms to fund our operations.

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We Depend on Residual Financing

When we sell our motor vehicle contracts in securitizations, we receive cash and a residual interest in the securitized assets. This residual interest represents the right to receive the future cash flows to be generated by the motor vehicle contracts in excess of the interest and principal paid on the securities issued in the securitization and other costs of servicing the motor vehicle contracts and completing the securitization.

We typically use the residual interest from each securitization as collateral to borrow cash to finance our operations. The amount of cash advanced by our lenders under our residual lines of credit depends on a collateral formula that is determined in large part by how well our securitized motor vehicle contracts are expected to perform based primarily upon our historical performance. If our portfolio of securitized motor vehicle contracts has higher delinquency and loss ratios than expected, then the amount of money we could borrow under the residual lines would be reduced. Our residual lines of credit also include covenants that require us to meet certain minimum net worth and operating loss tests and place limits on allowed levels of delinquencies, losses, prepayments and net yields of the motor vehicle contracts included in the related securitization. The reduction in availability or loss of access to our residual lines of credit could materially and adversely affect our operations, financial condition and cash flows and our ability to make payments on the notes.

We Depend on Securitizations to Generate Revenue

We rely significantly upon securitizations to generate cash proceeds to repay our warehouse credit facilities and to thereby allow us to finance the purchase of additional motor vehicle contracts. Further, the gain on sale of motor vehicle contracts generated by our securitizations represents a significant portion of our revenues. Our ability to complete securitizations of our motor vehicle contracts is affected by the following factors, among others:

- conditions in the securities markets generally;
- prevailing interest rates;
- conditions in the asset-backed securities market specifically;
- the credit quality of our portfolio of motor vehicle contracts; and