

Edgar Filing: CONSUMERS FINANCIAL CORP - Form 10-Q

CONSUMERS FINANCIAL CORP  
Form 10-Q  
December 29, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003, OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number: 0-2616

CONSUMERS FINANCIAL CORPORATION  
(Exact name of registrant as specified in its charter)

Pennsylvania  
(State or other jurisdiction of  
incorporation or organization)

23-1666392  
(I.R.S. Employer  
Identification No.)

1525 Cedar Cliff Drive, Camp Hill, PA  
(Address of principal executive offices)

17011  
(Zip Code)

717-730-6306  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
filing such requirements for the past 90 days.

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes  
of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at
-----	December 15, 2003
-----	-----
\$.01 Stated Value	17,667,096

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CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES  
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Part I. Financial Information

Item 1. Financial Statements

EXPLANATORY NOTE

FAILURE TO OBTAIN A REVIEW OF THE INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have not, prior to their filing, been reviewed by an independent public accountant using

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professional standards and procedures for conducting such reviews, as established by generally accepted auditing standards, as may be modified or supplemented by the Securities and Exchange Commission. The Company is using its best efforts to promptly have the interim financial statements included in this deficient filing reviewed as required. The Company cannot however, predict when the investigation will be completed, its ultimate scope or its outcome or any possible effect on the Company's financial statements.

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### PART I. FINANCIAL INFORMATION

See Note 1 to Condensed Consolidated Financial Statements regarding these financial statements which have not been reviewed

#### Item 1. Condensed Consolidated Financial Statements

##### CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2003	December 2002
	----- (Unaudited)	-----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 21,689	\$ 165
Accounts Receivable	11,332	
Prepaid expenses	171,788	30
	-----	-----
Total current assets	204,809	196
Property, plant and equipment, net of accumulated depreciation	5,832,779	
Restricted cash held in escrow account	713,246	314
Intangible and other assets	160,475	87
	-----	-----
Total assets	\$ 6,911,309	\$ 597
	-----	-----
<b>LIABILITIES, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY DEFICIENCY</b>		
Current liabilities:		
Accounts payable	\$ 377,850	\$ 32
Other	140,487	22
	-----	-----
Total current liabilities	518,337	54
	-----	-----
Mortgages payable	5,922,795	
Redeemable preferred stock:		
Series A, 8 1/2% cumulative convertible, authorized 632,500		

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shares; issued 75,326 shares; outstanding 2003, 72,226 shares, 2002, 75,326 shares; redemption amount 2003, \$722,260, 2002, \$753,260; net of treasury stock of \$8,060 in 2003

	711,799	739
Shareholders' equity deficiency:		
Common stock, \$.01 stated value, authorized 10,000,000 shares; issued and outstanding 9,045,575 shares	170,021	52
Capital in excess of stated value	11,519,631	8,938
Deficit	(12,061,236)	(9,188)
Minority Interest	129,962	
	-----	-----
Total shareholders' equity deficiency	(241,622)	(196)
	-----	-----
Total liabilities, redeemable preferred stock and shareholders' equity deficiency	\$ 6,911,309	\$ 597
	=====	=====

See Notes to Consolidated Financial Statements

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### CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Unaudited)

See Note 1 to Condensed Consolidated Financial Statements regarding these financial statements which have not been reviewed

	Nine Months Ended September 30, 2003 -----	Nine Months Ended September 30, 2002 -----	Three En Septem 20 -----
		(See Note 2)	
Operating revenues:			
Income	\$ 189,840	\$	\$ 13
Net investment income	2,080	44,295	
Net realized investment gains		242,480	
Proceeds from settlement of litigation		255,000	
Miscellaneous	1,447	41,192	
	-----	-----	-----
	193,367	582,967	13
	-----	-----	-----
Non-operating expenses:			
Salaries and employee benefits	2,419,684	123,080	2,35
Professional fees	79,484	96,920	2
Other fees	70,467	55,817	7
Insurance	46,553	64,537	1
Taxes, other than income	52,408	22,114	5
Provision for loss on loan receivable	27,500		
Miscellaneous	570,395	56,610	39
	-----	-----	-----
	3,266,491	419,078	2,91
	-----	-----	-----

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Income (loss) before income taxes	(3,073,124)	163,889	(2,77
Income taxes	--	--	
Net income (loss)	(3,073,124)	163,889	(2,77
Other comprehensive loss, change in unrealized appreciation of debt securities		(54,702)	
Comprehensive income (loss)	(\$3,073,124)	\$ 109,187	(\$2,77
Per share data:			
Basic and diluted income (loss) per common share	(\$ 0.32)	(\$ 0.05)	(\$
Weighted average number of common shares outstanding	9,515,637	2,909,419	9,18
Cash dividends declared per common share	None	None	

See Notes to Consolidated Financial Statements

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CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

See Note 1 to Condensed Consolidated Financial Statements regarding these  
financial statements which have not been reviewed

	Nine Months Ended September 30, 2003	Nine Mont September
	-----	-----
Cash flows from operating activities:		(See N
Net income (loss)	(\$3,073,124)	\$ 16
Adjustments to reconcile net income (loss) to cash flows used in operating activities:		
Depreciation & amortization	105,048	
Provision for loss on loan receivable	27,500	
Change in receivables	(11,332)	2
Change in prepaid expenses	(141,368)	(1
Escrow - construction and real estate tax	(444,226)	
Gain on sale of investments		(5
Gain on sale of insurance licenses		(17
Payment of employee severance liability		(17
Change in accrued expenses	345,682	(6
Change in due to preferred stockholders	12,260	
Change in other current liabilities	101,093	
Other	86,764	(5
Total adjustments	81,421	(52
Net cash used in operating activities	(2,991,703)	(36

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Cash flows from investing activities:		
Proceeds from sale of investments		94
Proceeds from sale of insurance licenses, net of selling expenses of \$44,767 and liability assumed by buyer of \$132,120		7
Cash deposited into preferred stock escrow account		(33)
Loan to majority shareholder	(22,500)	
Cash withdrawn from preferred stock escrow account	45,204	
Purchase of property, equipment and leasehold improvements	(5,900,933)	
Deferred financing costs	(196,769)	
	-----	-----
Minority Interest	129,962	
	-----	-----
Net cash provided by (used in) investing activities	(5,945,036)	68
Cash flows from financing activities:		
Mortgages payable	5,922,795	
Purchase of redeemable preferred stock	(31,629)	(1,66)
Proceeds from issuance of common stock	117,253	10
Additional paid in capital	2,784,251	
Cash dividends to preferred shareholders		(33)
	-----	-----
Net cash used in financing activities	8,792,670	(1,88)
	-----	-----
Net increase (decrease) in cash	(144,069)	(1,56)
Cash and cash equivalents at beginning of period	165,758	1,80
	-----	-----
Cash and cash equivalents at end of period	\$ 21,689	\$ 23
	=====	=====

See Notes to Consolidated Financial Statements

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CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002  
(Unaudited)

1. Overview and Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements have not, prior to their filing, been reviewed by an independent public accountant using professional standards and procedures for conducting such reviews, as established by generally accepted auditing standards, as may be modified or supplemented by the Securities and Exchange Commission. The Company is using its best efforts to promptly have the interim financial statements included in this deficient filing reviewed as required. The Company cannot however, predict when the investigation will be completed, its ultimate scope or its outcome or any possible effect on the Company's financial statements.

Financial Statements

The condensed consolidated balance sheet of Consumers Financial Corporation and

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Subsidiary as of September 30, 2003, the related condensed consolidated statements of operations for the three and nine months ended September 30, 2003 and 2002 and the condensed consolidated statements of cash flows for the nine months ended September 30, 2003 and 2002, included in Item 1 have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC" or "Commission"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments (consisting of normal, recurring adjustments) necessary in order to make the financial statements not misleading. The results of operations for the nine months ended September 30, 2003 are not necessarily indicative of the results of operations for the full year or any other interim period. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and filed with the Commission.

Since 1998, the Company has had no business operations, and its revenues and expenses have consisted principally of investment income on remaining assets and corporate and other administrative expenses. In March 1998, the Company's shareholders approved a Plan of Liquidation and Dissolution (the Plan of Liquidation) pursuant to which the Company began liquidating its remaining assets and paying or providing for all of its liabilities. However, in February 2002, the Company entered into an option agreement with CFC Partners, Ltd., a New York investor group (CFC Partners), pursuant to which CFC Partners could obtain a majority interest in the Company's common stock. In August 2002, the option was exercised and 2,700,000 new common shares (approximately 51.2% of the total outstanding shares) were issued by the Company to CFC Partners. As a result of the acquisition of the Company, the Plan of Liquidation was discontinued. Immediately prior to the transaction with CFC Partners, the Company paid a substantial portion of its remaining assets to its preferred shareholders in connection with a tender offer to those shareholders (see Note 7).

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. However, as a result of the cumulative effect of the events discussed above, at September 30, 2003, the Company had only \$21,689 in cash, a shareholders' equity deficiency of \$241,622 and was unable to pay its existing creditors. Also, as of that date, the Company had not paid its payroll taxes for either the first quarter of 2003 (such taxes were paid in August 2003 using proceeds from a loan from one of the Company's officers), for the second quarter of 2003 or for the third quarter of 2003.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002  
(Unaudited)

1. Overview and Basis of Presentation (continued):

As of September 30, 2003, other than its interest in Vaughn Partners, LLC (as described below) the Company had no significant business operations and no sources of operating revenues. CFC Partners is currently pursuing various business opportunities for the Company, including strategic alliances, as well

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as the merger or combination of existing businesses with the Company. The new management of the Company is initially focusing on joint ventures with or acquisitions of companies in the real estate, construction management and medical technology businesses as well as the direct purchase of income-producing real estate. However, there is no assurance that the Company's efforts in this regard will be successful. In fact, given the Company's current cash position, without new revenues and/or immediate financing, the Company's efforts to develop the above-referenced businesses are not likely to succeed.

The Company's ability to continue as a going concern is dependent on its success in developing new cash revenue sources or, alternatively, in obtaining short-term financing while its new businesses are being developed. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2002 Form 10-K.

The results of operations for the nine and three months ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year.

### Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents

### Income Taxes

The Company accounts for income taxes using the liability method, which requires the determination of deferred tax assets and liabilities based on the differences between the financial and tax bases of assets and liabilities using enacted tax rates in effect for the year in which differences are expected to reverse. Deferred tax assets are adjusted by a valuation allowance, if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

### Depreciation and Amortization

Depreciation and amortization of Building, equipment and furniture, fixtures is computed on the straight-line method at rates adequate to allocate the cost of applicable assets over their expected useful lives.

### Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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### 2. Acquisition of the Company:

On August 28, 2002, CFC Partners exercised its option to acquire 2,700,000 shares of the Company's common stock. The option was granted to CFC Partners through an option agreement dated February 13, 2002. The option price of \$108,000 had previously been deposited by CFC Partners into an escrow account held by the Company. The newly issued shares represented approximately 51.2% of the outstanding common stock of the Company.

In connection with the issuance of the new shares to CFC Partners, the Board of Directors also terminated the Plan of Liquidation. The Board had previously determined that selling the Company for its value as a "public company shell" was a better alternative for the shareholders than the Plan of Liquidation, inasmuch as the common shareholders were not expected to receive any distribution in a liquidation of the Company. The preferred shareholders were given an opportunity to exchange their shares for cash in a tender offer completed by the Company on August 23, 2002 (see Note 7).

The new management of the Company is currently pursuing various business opportunities for the Company. Management's efforts have initially been focused on joint ventures with or acquisitions of companies in the real estate, construction management and medical technology businesses as well as the direct purchase of income-producing real estate (see Note 3).

### 3. Business Development Activities:

With respect to the real estate business, in April 2003, Vaughn Properties LLC entered into agreements to acquire a garden apartment complex in Springfield, Illinois and a high-rise residential building in Chicago, Illinois.

On September 4, 2003, the Company's Board of Directors approved the payment of broker's fees to the Company's majority shareholder, CFC Partners, for real estate and other contracts obtained by CFC Partners and assigned to the Company. The Board agreed to pay CFC Partners an amount equal to 5% of the contract price following the completion of each transaction. Such payments may be in the form of cash or common stock of the Company. In that regard, the Board authorized the issuance to CFC Partners of approximately 1,227,273 shares of the Company's common stock in connection with the acquisition of the Springfield real estate. The cost of this transaction to the Company, as measured by the market value of the shares at the time of issuance, is approximately \$270,000. The Company has reported this charge in its third quarter operating results.

In May 2003, Vaughn Partners LLC (Vaughn), an Illinois limited liability company in which the Company owned directly a 47.5% interest, acquired the Springfield, Illinois real estate referred to above. Vaughn acquired this property for a purchase price of \$5,400,000, comprised of a \$4,650,000 interest only bank loan secured by a first mortgage lien on the property payable in two years, and a \$1,200,000 second mortgage on the property, with principal amounts of \$500,000 due six months from acquisition and \$700,000 due 12 months from acquisition, and \$300,000 in cash which was contributed by third party investors. The mortgages carry interest rates of 7.25% and 13% respectively. Vaughn also obtained and has not used approximately \$291,000 of a \$600,000 construction loan from the bank for the purpose of completing certain renovations to the property. The property is recorded net of depreciation which is recognized on a straight-line basis for a period of 31.5 years.

In May 2003, the Company had a 47.5% direct equity interest in Vaughn and an indirect interest in

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Vaughn of 24.225% (as a result of its 51% interest in Spartan Properties). Since the transaction wherein the Company was to acquire its interest in Spartan was never consummated, said transaction was unwound as of October 31, 2003. Effective as of such date, Spartan transferred to the Company its 24.225% interest in Vaughn in consideration for the issuance by the Company of 250,000 shares of common stock. Accordingly, as of October 31, 2003, the Company has a direct interest in Vaughn Properties of 71.725% but no longer has an equity interest in Spartan Properties.

Because neither the Company nor Spartan invested any funds in exchange for their interests in Vaughn and neither has any obligation to fund any operating or other deficiencies incurred by Vaughn, the accompanying financial statements do not include any equity in the net loss of Vaughn, which totaled approximately \$85,000. The operating results of Vaughn were adversely impacted by reduced rental income due to vacancies associated with the need for major renovations which, as of September 30, 2003, are 75% complete.

In connection with its construction management business, the Company intends to manage all of its real estate development and other real estate activities and will selectively pursue the management of outside projects as well.

The Company currently has no contractual rights to purchase or lease any properties or engage in any other business activities.

On July 1, 2003, the Company filed a Registration Statement with the Securities and Exchange Commission to register 353,000 shares of its common stock, which the Company issued to three consultants pursuant to certain agreements entered into between the Company and the respective consultants. Each of these agreements terminates on December 31, 2003. In exchange for receipt of the shares of common stock, such consultants will provide various services to the Company, principally relating to the identification of suitable merger or acquisition partners for the Company. The cost of these services, measured by the market value of the shares at the time of issue, is approximately \$148,020. The Company recorded these expenses as prepaid expenses in the amount of \$65,467 and consulting expenses for \$82,553.

On September 1, 2003, the Company entered into employment agreements with each of Donald J. Hommel, President and Chief Executive Officer and Jack I. Ehrenhaus, Chairman and Chief Operating Officer, of the Company. Each agreement provides for annual compensation of \$225,000 in base salary with annual increases of 10%, and annual bonuses as determined by the Board, which can range from twice the amount of the base salary, but in no event will the bonus be less than 50% of the salary. Each officer is also entitled to an automobile allowance of \$750 per month and reimbursement of all business expenses. The term of each employment agreement is ten years. If the Company terminates either officer without cause prior to the term, the officer is entitled to a severance payment equal to his salary for the remainder of the 10-year term or two years', whichever is greater. If there is a material change in the Company which causes a substantial reduction of the officer's duties, or a liquidation, transfer of assets or merger and the Company is not the surviving entity, the officer is

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entitled to a severance payment.

The employment agreements also provide for the issuance of 3,000,000 shares of the Company's common stock to each of the officers. Each officer also agreed that if the Company has a cash flow shortfall, the officer will take stock in lieu of cash at a 20% discount to the stock price at the payment date.

On September 18, 2003, the Company filed a Registration Statement with the Securities and Exchange

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Commission to register 92,000 shares of common stock which was issued to a consultant pursuant to a consultancy agreement entered into between the Company and the consultant on said date. In exchange for receipt of the shares of common stock, the consultant will provide various services to the Company, principally relating to the identification of suitable merger or acquisition partners for the Company. The cost of his services, measured by the market value of the shares at the time of issue, is approximately \$\_\_\_\_. The Company recorded these expenses as prepaid expenses in the amount of \$65,467 and consulting expenses for \$\_\_\_\_\_.

#### 4. Loan Receivable

During the first quarter of 2003, the Company made payments totaling \$27,500 to certain individuals who had previously loaned funds to CFC Partners so that CFC Partners could purchase its majority interest in the Company's common stock. Since any obligation to repay these individuals, one of whom is a director of the Company, is the responsibility of CFC Partners and not the Company, CFC Partners has agreed to repay this amount to the Company. However, because CFC Partners currently has no ability to repay the amount borrowed, this loan has been fully reserved in the Company's consolidated financial statements through a charge to non-operating expenses.

#### 5. Restricted Assets

As required by the terms of the option agreement with CFC Partners, the Company deposited \$331,434 (representing the tender price of \$4.40 multiplied by the 75,326 shares of preferred stock not tendered) into a bank escrow account for the benefit of the remaining preferred shareholders. The funds in this account, including any earnings thereon, are restricted in that they may only be used by the Company to pay dividends or make other distributions to the preferred shareholders. At September 30, 2003 and December 31, 2002, these assets consisted entirely of money market funds. However, during 2003, \$47,088 was withdrawn from the escrow account to purchase 12,165 shares of preferred stock for \$31,629. The remaining \$15,459 was deposited into the Company's general cash account.

#### 6. Income Taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and

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their respective tax bases. Valuation allowances are established, if necessary, to reduce the deferred income tax asset account to the amount that will more likely than not be realized.

At September 30, 2003 and December 31, 2002, the Company's only deferred tax assets consisted of (i) \$100,000 and \$2,038,000, respectively, arising from net operating loss carry forwards and (ii) \$4,457,000 arising from a capital loss carry forward related to the sale of the stock of Consumers Life. These deferred tax assets have been fully offset by a valuation allowance. The Company's deferred tax assets at September 30, 2003 do not include any net operating losses generated by Consumers Life since that subsidiary was sold in June 2002 and its prior losses are no longer available to offset future taxable income of the Company. At September 30, 2003 and December 31, 2002, the Company had no material deferred tax liabilities.

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No provision for income taxes has been made in the consolidated financial statements because of the above-referenced operating loss and capital loss carry forwards, which have been fully offset by a valuation allowance.

### 7. Redeemable Preferred Stock:

On August 23, 2002, the Company completed a tender offer to all of its preferred shareholders, pursuant to which it purchased 377,288 shares (approximately 83.4% of the shares outstanding) at \$4.40 per share plus accrued dividends. The tender offer was completed in conjunction with and was a condition to the exercise of the option by CFC Partners. Since all of the Company's remaining assets would have been distributed to the preferred shareholders if the Company had been liquidated, the Board of Directors believed that the exercise of the option (and the related termination of the Plan of Liquidation) should not take place until the preferred shareholders had been given a chance to exchange their shares for cash.

The terms of the redeemable preferred stock require the Company to make annual payments to a sinking fund. Such payments were to have commenced on July 1, 1998. The preferred stock terms also provide that any purchase of preferred shares by the Company will reduce the sinking fund requirements by an amount equal to the redemption value (\$10 per share) of the shares acquired. As a result of the Company's purchases of preferred stock in the open market and in the tender offer described above, no sinking fund payment for the preferred stock is due until July 1, 2006. However, in connection with the exercise of the option by CFC Partners, the Company deposited \$331,434 into a bank escrow account for the benefit of the remaining preferred shareholders (see Note 6).

The redeemable preferred stock is redeemable at the option of the Company at any time, as a whole or in part, for a redemption price of \$10 per share plus all unpaid accrued dividends.

Dividends at an annual rate of \$.85 per share are cumulative from the original issue date of the preferred stock. Dividends are payable quarterly on the first day of January, April, July and October. The dividends payable on January 1, April 1, July 1, and October 1, 2003 have not been declared or paid by the Company. When the Company is in arrears as to dividends or sinking fund

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appropriations for the preferred stock, dividends to holders of the Company's common stock as well as purchases, redemptions or acquisitions by the Company of shares of the Company's common stock are restricted. Since the Company is in default with respect to the payment of preferred dividends and the aggregate amount of the deficiency is equal to four quarterly dividends, the holders of the preferred stock are entitled, only while such arrearage exists, to elect two additional members to the then existing Board of Directors.

In the event of a liquidation of the Company, the holders of the preferred stock are entitled to receive \$10 per share plus all unpaid and accrued dividends prior to any distribution to be made to the holders of common stock.

The difference between the fair value of the preferred stock at the date of issue and the mandatory redemption value is being recorded through periodic accretions with an offsetting charge to the deficit. Such accretions totaled \$3,479 and \$9,627 in the first nine months of 2003 and 2002, respectively.

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(Unaudited)

8. Per Share Information:

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
	-----	-----
Net income (loss)	(\$3,073,124)	\$ 163,889
Preferred stock dividend requirement	(48,021)	(239,806)
Accretion of carrying value of preferred stock	(3,479)	(83,708)
	-----	-----
Numerator for basic income (loss) per share - income (loss) attributable to common shareholders	(3,124,624)	(159,625)
Effect of dilutive securities	0	0
	-----	-----
Numerator for diluted income (loss) per share	(\$3,124,624)	(\$ 159,625)
Denominator for basic income (loss) per share - weighted average shares outstanding	9,515,637	2,909,419
Effect of dilutive securities	0	0
	-----	-----
Denominator for diluted income (loss) per share	9,515,637	2,909,419
	-----	-----
Basic and diluted income (loss) per common share	(\$ 0.33)	(\$ 0.05)
	=====	=====

9. Significant Accounting Pronouncements

New Accounting Pronouncements

In May 2003, the FASB issued SFAS NO. 150, "Accounting for Certain Financial

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Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 addresses certain financial instruments that, under previous guidance, could be accounted for as equity, but now must be classified as liabilities in statements of financial position. These financial instruments include: 1) mandatory redeemable financial instruments, 2) obligations to repurchase the issuer's equity shares by transferring assets, and 3) obligations to issue a variable number of shares. SFAS No. 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The effect of the adoption of SFAS No. 150 during the period ended September 30, 2003 was the classification of the Company's preferred stock as a liability in the statement of financial position.

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CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002  
(Unaudited)

### 10. Subsequent Events:

On October 20, 2003, the Company entered into an agreement with an investment banking firm to arrange financing for the Company's operations and expansion, provide financial advisory services on mergers and acquisitions, and represent the Company with regard to introductions to accredited investors, financial institutions, strategic partners, and potential clients. The Company views this relationship as an investment banking source for corporate acquisitions. The investment banker is to receive a percentage based on the amount of equity or debt raised for the Company, as well as a retainer of \$3,750 plus 85,000 shares of common stock of the Company with demand and piggyback registration rights. In addition, the banker is entitled to warrants equal to 3% of the equity of the Company upon the successful completion of any financing or m&a transaction. The banker is also entitled to registration rights, tag along rights, a put option, anti-dilution protection and a right of first refusal. If the Company fails or refuses to close a transaction after funds have been placed in escrow or a commitment letter accepted and approved, the Company is liable for all direct and consequential damages incurred by the banker.

On October 31, 2003, the Company filed a Registration Statement with the Securities and Exchange Commission to register an additional 330,000 shares of common stock issued to the consultant who was initially issued 92,000 shares. Another Registration Statement was filed to register on November 7, 2003 pursuant to a consultancy agreement entered into between the Company and a consultant on July 2, 2003. In exchange for receipt of the 140,000 shares of common stock issued to such consultant, the consultant will provide various services to the Company, principally relating to the identification of suitable merger or acquisition partners for the Company.

In November 2003, an investor executed a subscription agreement to purchase 1,000,000 shares of the Company's common stock for ten cents (\$0.10) per share. As of December 24, 2003, the investor has only paid \$20,000 toward the aggregate purchase price of \$100,000.

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CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARY  
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NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002  
(Unaudited)

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

A review of the significant factors which affected the Company's financial condition at September 30, 2003 and its results of operations for the nine and three month periods then ended is presented below. Information relating to the same periods in 2002 is also presented for comparative purposes. This analysis should be read in conjunction with the Consolidated Financial Statements and the related Notes appearing elsewhere in this Form 10-Q and in the Company's 2002 Form 10-K.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This Form 10-Q may include forward-looking statements which reflect the Company's current views with respect to future events and financial performance. These forward-looking statements are identified by their use of such terms and phrases as "intends", "intend", "intended", "goal", "estimate", "estimates", "expects", "expect", "expected", "project", "projected", "projections", "plans", "anticipates", "anticipated", "should", "designed to", "foreseeable future", "believe", "believes" and "scheduled" and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date the statement was made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

#### OVERVIEW

At a special meeting of shareholders held on March 24, 1998, the Company's preferred and common shareholders approved a Plan of Liquidation and Dissolution (the Plan of Liquidation), pursuant to which the Company would be liquidated and dissolved. The Plan of Liquidation permitted the Board of Directors to continue to consider other alternatives to liquidating the Company. Because the common shareholders would not receive a distribution under the plan of liquidation and dissolution, and the preferred shareholders would receive less than the full liquidation value of their shares, the Board of Directors subsequently determined that selling the Company for its value as a "public company shell" was a better alternative for the common and preferred shareholders than liquidating the Company.

In October 2001, the Board of Directors met to consider three offers which were received regarding the potential purchase of the Company. One of the three offers was from CFC Partners, Ltd. (CFC Partners). Following its review of each offer, the Board determined that the offer from CFC Partners was the best offer. In February 2002, the Company and CFC Partners entered into an option agreement which permitted CFC Partners to acquire a 51.2% interest in the Company at \$.04 per share. The option held by CFC Partners was exercisable following the completion by the Company of a tender offer to its preferred shareholders. The completion of this tender offer was, in turn, dependent on the sale of the Company's remaining insurance subsidiary, since substantially all of the Company's assets were held by the subsidiary and state insurance laws would not permit the withdrawal of those assets.

In June 2002, the Company completed the sale of the insurance subsidiary. In July 2002, the Board of Directors approved a tender offer to the Company's preferred shareholders at a price of \$4.40 per share, and on July 19, 2002, tender offer materials were mailed to the holders of the preferred stock. On August 23, 2002, the Company purchased 377,288 shares of preferred stock, or

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83.4% of the total preferred shares outstanding, from those shareholders who elected to tender their shares.

On August 28, 2002, the Board of Directors terminated the Plan of Liquidation and authorized the issuance of 2,700,000 shares of common stock to CFC Partners. Donald J. Hommel, the president of CFC Partners, was also appointed as a Director of the Company to fill an existing vacancy on the Board. Following such appointment, the Company's officers resigned and the Board elected Mr. Hommel as the Company's President and Chief Executive Officer. In addition, James C. Robertson and John E. Groninger, who had been Directors of the Company for more than 30 years, also resigned.

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In October 2002, the Board of Directors appointed Shalom S. Maidenbaum, Esq. as an additional Director of the Company to fill an existing vacancy on the Board. In addition, the Directors elected Mr. Hommel as the Company's Treasurer and Mr. Maidenbaum as the Company's Vice President and Secretary. In March 2003, the Board of Directors appointed William T. Konczynin as an additional Director to fill an existing vacancy.

As a result of the approval of the Plan of Liquidation, the Company adopted a liquidation basis of accounting for the period from March 25, 1998 to August 28, 2002. Under this basis of accounting, assets were stated at their estimated net realizable values and liabilities were stated at their anticipated settlement amounts. As a result of the transaction with CFC Partners and the related termination of the Plan of Liquidation, effective August 29, 2002, the Company re-adopted accounting principles applicable to going concern entities. Furthermore, as discussed in Note 2 of the notes to consolidated financial statements appearing elsewhere in this Form 10-Q, the Company has restated its liquidation-basis financial statements for prior periods to conform such statements to the current presentation.

At September 30, 2003, the Company had no significant business operations; however, the Company's new management is currently pursuing various business ventures. Their initial focus is on joint ventures with or acquisitions of companies in the real estate, construction management and medical technology businesses. As discussed in Note 4 of the notes to consolidated financial statements appearing elsewhere in this Form 10-Q, in April 2003, the Company, through its majority shareholder, entered into agreements to acquire garden apartment complexes in Springfield, Illinois. The Company also had agreements to purchase garden apartment complexes in Marietta, Georgia and a high-rise residential building in Chicago, Illinois; however, neither transaction was consummated. In June 2003, the Company entered into an agreement to acquire a 200-unit garden apartment complex in the Tampa, Florida area; this transaction was also never consummated.

In May 2003, Vaughn Partners LLC (Vaughn), an Illinois limited liability company in which the Company currently owns a 71.725% interest, acquired the Springfield, Illinois garden apartment complexes. Vaughn acquired this property with cash contributed by the third party investors who own the remaining 5% of Vaughn, a \$4,050,000 [4,650,000] bank loan secured by a first mortgage lien on the property and a \$1,200,000 second mortgage on the property. Vaughn also obtained and used \$291,000 of a \$600,000 construction loan from the bank for the purpose of completing certain renovations to the property. In connection with the acquisition, Spartan Properties LLC, also entered into an agreement with Vaughn to manage the property for a fee.

In May 2003, the Company had a 47.5% direct equity interest in Vaughn and



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an indirect interest in Vaughn of 24.225% (as a result of its 51% interest in Spartan Properties). Since the transaction wherein the Company was to acquire its interest in Spartan was never consummated, said transaction was unwound as of October 31, 2003. Effective as of such date, Spartan transferred to the Company its 24.225% interest in Vaughn in consideration for the issuance by the Company of 250,000 shares of common stock. Accordingly, as of October 31, 2003, the Company has a direct interest in Vaughn Properties of 71.725% but no longer has an equity interest in Spartan Properties.

In April 2003, CFC Partners entered into a letter of intent with a leading radiologist and operator of several radiology centers in the metropolitan New York area to purchase, develop and operate positron emission tomography (PET) imaging centers, initially in the New York area, but this letter of intent has terminated. On September 10, 2003, the Company, through its subsidiary, P.E.T. Centers of America, signed a lease for 3,450 square feet of medical space and will begin to design and build its first PET imaging center in Suffolk County, New York, but subsequently the Company allowed the lease to terminate. The Company has no outstanding obligations or liabilities with respect to said proposed agreements.

At September 30, 2003, the Company's shareholders' equity deficiency totaled \$203,391 compared to a shareholders' equity deficiency of \$196,485 at December 31, 2002. The Company's net loss for the nine months ended September 30, 2003 totaled \$3,073,124 compared to net income of \$109,187 for the same period in 2002.

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### RESULTS OF OPERATIONS

A discussion of the material factors which affected the Company's results of operations for the nine and three months ended September 30, 2003 and 2002 is presented below.

#### Nine Months Ended September 30, 2003 and 2002

For the nine months ended September 30, 2003, the Company reported a net loss of \$3,073,124 (\$.17 per share) compared to net income of \$109,187 (which translates into a loss of \$.05 per share after deducting the preferred dividend requirement) in the first nine months of 2002. The 2,700,000 new shares of common stock issued to CFC Partners in August 2002 has significantly impacted the comparison of per share amounts between 2003 and 2002. Since the Company now has only a nominal amount of revenues, the current year net loss is primarily the result of expenses incurred while the Company is developing new businesses. During the first nine months of 2003, these costs consisted principally of salaries to two individuals, audit, legal and consulting fees, insurance and a \$27,500 provision for loss on a receivable from the Company's majority shareholder.

In 2002, the Company's net income was the result of a \$179,000 gain from the sale of the state insurance licenses of Consumers Life, as part of the sale of that subsidiary, and a \$56,000 gain on the sale of certain bonds held by the subsidiary. During this period, the Company incurred approximately \$62,000 in professional fees, principally legal and accounting fees, including \$17,000 in legal fees related to the tender offer to the Company's preferred shareholders. The Company also incurred a \$29,000 fee in connection with the termination of a guaranteed investment contract held by the Company's retirement plan custodian.

#### Three Months Ended September 30, 2003 and 2002

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The Company's net loss for the third quarter of 2003 was \$2,779,370 (\$.16 per share). Since the Company only had \$102,441 in revenues for the quarter, the net loss is attributable to ongoing expenses incurred in connection with developing new business operations. These costs consisted primarily of salaries, professional fees and insurance.

For the three months ended September 30, 2002, the Company reported net income of \$123,889 (\$.01 per share) as a result of the gains arising from the sale of Consumers Life. During the quarter, the Company incurred approximately \$33,500 in salaries and related benefits as well as professional and other fees of \$42,000.

### FINANCIAL CONDITION

#### Capital Resources

The Company currently has no commitments for any capital expenditures. However, if the Company develops certain planned strategic alliances or identifies a target company to be merged or otherwise combined with the Company, the Company's plans regarding capital expenditures and related commitments are likely to change.

For the nine months ended September 30, 2003, the Company's cash and cash equivalents decreased by \$144,069 to \$21,689 at the end of the period. The decrease is principally the result of the cash expenses paid by the Company during the period and the \$27,500 loan made to CFC Partners, as discussed in Note 4 of the notes to consolidated financial statements appearing elsewhere in this Form 10-Q. The Company currently has no ability to pay any additional expenses until it either develops new revenue sources or obtains financing.

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On October 27, 2003, the Company entered into an agreement with an investment banking firm to arrange financing for the Company's operations and expansion, provide financial advisory services on mergers and acquisitions, and represent the Company with regard to introductions to accredited investors, financial institutions, strategic partners, and potential clients. The investment banker is to receive a percentage based on the amount of equity or debt raised for the Company, as well as a retainer of \$3,750 plus 85,000 shares of common stock of the Company with demand and piggyback registration rights. In addition, the banker is entitled to warrants equal to 3% of the equity of the Company upon the successful completion of any financing or m&a transaction. The banker is also entitled to registration rights, tag along rights, a put option, anti-dilution protection and a right of first refusal. If the Company fails or refuses to close a transaction after funds have been placed in escrow or a commitment letter accepted and approved, the Company is liable for all direct and consequential damages incurred by the banker.

#### Liquidity

In connection with the acquisition of the Company by CFC Partners, substantially all of the Company's remaining liquid assets were used to complete a tender offer to the preferred shareholders in August 2002. At September 30, 2003, the Company had \$21,689 in cash. Furthermore, as of that date, the Company had no significant business operations and no sources of operating revenues and cash flows. As indicated above, the Company is currently pursuing various business opportunities, including strategic alliances, as well as the merger or combination of existing businesses with the Company. The Company's management is initially focusing on joint ventures with or acquisitions of companies in the

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real estate, construction management and medical technology business segments. However, there is no assurance that the Company's efforts in this regard will be successful.

The Company entered into an agreement with Hudson Valley Home Builders & Developers Corp., pursuant to which Hudson agreed to dedicate its commercially reasonable efforts to provided between \$2,000,000 and \$4,000,000 per month for the next 3 years to provide the Company with financing for real estate transactions. To date, no funds have been raised by Hudson. If Hudson does fund a real estate transaction of the Company's, Hudson and its investors are entitled to 60% of the equity of such transaction. If the investors of Hudson elect, a portion (30%) of the monies raised shall be used to purchase common stock of the Company at a premium. Hudson and its investors will also be issued warrants to purchase shares of common stock of the Company equal to 10% of the shares so purchased. The Company agreed to register the shares purchased by these investors within 2 years as well as granting piggyback registration shares.

As indicated above, the Company currently has no ability to pay any additional expenses until it either develops new revenue sources or obtains financing. Without new revenues and/or immediate financing, management's efforts to develop the Company's real estate, construction management and medical technology businesses are not likely to succeed.

### Redeemable Preferred Stock

As previously indicated, on August 23, 2002, the Company completed a tender offer to all of its preferred shareholders, pursuant to which it purchased 377,288 shares (approximately 83.4% of the shares outstanding) at \$4.40 per share plus \$47,445 in accrued dividends. The tender offer was completed in conjunction with and was a condition to the exercise of the option by CFC Partners. Since all of the Company's remaining assets would have been distributed to the preferred shareholders if the Company had been liquidated, the Board of Directors believed that the exercise of the option (and the related termination of the Plan of Liquidation) should not take place until the preferred shareholders had been given a chance to exchange their shares for cash.

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The terms of the redeemable preferred stock require the Company to make annual payments to a sinking fund. Such payments were to have commenced on July 1, 1998. The preferred stock terms also provide that any purchase of preferred shares by the Company will reduce the sinking fund requirements by an amount equal to the redemption value (\$10 per share) of the shares acquired. As a result of the Company's purchases of preferred stock in the open market and in the tender offer, no sinking fund payment for the preferred stock is due until July 1, 2006. However, in connection with the exercise of the option by CFC Partners, the Company deposited \$331,434 into a bank escrow account for the benefit of the remaining preferred shareholders (see Note 6 of the notes to consolidated financial statements appearing elsewhere in this Form 10-Q).

The January 1, April 1, July 1 and October 1, 2003 dividends payable on the Company's redeemable preferred stock have not been declared or paid by the Company. When the Company is in arrears as to dividends or sinking fund appropriations for the preferred stock, dividends to holders of the Company's common stock as well as purchases, redemptions or acquisitions by the Company of shares of the Company's common stock are restricted. Since the Company is in default with respect to the payment of preferred dividends and the aggregate

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amount of the deficiency is equal to four quarterly dividends, the holders of the preferred stock are currently entitled, only while such arrearage exists, to elect two additional members to the then existing Board of Directors.

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### Financial Statements Not Reviewed

The interim financial statements included in this Form 10-Q have not, prior to this filing, been reviewed by the Company's independent public accountants as required by applicable law. Until we file an amended Form 10-Q which contains interim financial statements which have been reviewed by our independent public accountants using professional standards and procedures for conducting such reviews, as established by generally accepted auditing standards, this filing is deficient and we are not deemed to be current or timely in our reporting requirements under the Securities Exchange of 1934, as amended. Although we are using our best efforts to promptly have the interim financial statements included in this deficient filing reviewed as required, we cannot however, predict when the investigation will be completed, its ultimate scope or its outcome or any possible effect on the Company's financial statements.

### Item 3. Quantitative and Qualitative Disclosure About Market Risk

The requirements for certain market risk disclosures are not applicable to the Company because, at September 30, 2003 and December 31, 2002, the Company qualifies as a "small business issuer" under Regulation S-B of the Federal Securities Laws.

### Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the 'Exchange Act')). Based on this evaluation, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms. There have been no changes in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The registrant is not involved in any existing or pending legal proceedings

### Item 2. Changes in Securities and Use of Proceeds

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During the three months ended September 30, 2003, there have been no limitations or qualifications, through charter documents, loan agreements or otherwise, placed upon the holders of the registrant's common or preferred stock to receive dividends, except as described in Item 3 below.

On September 1, 2003, the Company entered into employment agreements with each of Donald J. Hommel, President and Chief Executive Officer and Jack I. Ehrenhaus, Chairman and Chief Operating Officer, of the Company pursuant to which, among other things, the Company issued 3,000,000 shares to each of said individuals. The issuances were pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended.

### Item 3. Defaults upon Senior Securities

The January 1, 2003, April 1, 2003, July 1, 2003, and October 1, 2003 dividends payable on the registrant's redeemable preferred stock have not been declared or paid by the registrant. The amount of these dividends totals \$48,021. When the registrant is in arrears as to dividends or sinking fund appropriations for the preferred stock, dividends to holders of the registrant's common stock as well as purchases, redemptions or acquisitions by the registrant of shares of its common stock are restricted. Since the registrant is in default with respect to the payment of preferred dividends and the aggregate amount of the deficiency is equal to four quarterly dividends, the holders of the preferred stock are entitled, only while such arrearage exists, to elect two additional members to the then existing Board of Directors.

### Item 4. Submission of Matters to a Vote of Security Holders

On August 7, 2003, the Company mailed an Information Statement to its shareholders in connection with a special meeting of shareholders to be held on August 27, 2003 (the Special Meeting). At the Special Meeting, the shareholders were asked to consider and vote upon a proposal to amend the Company's Articles of Incorporation (i) to effect a one-for-10 reverse stock split of the Company's common stock by reducing the number of issued and outstanding shares of common stock from 5,276,781 to approximately 527,678, (ii) to authorize 50 million shares of capital stock of the Company, of which 40 million shares will relate to common stock and 10 million shares will relate to preferred stock and (iii) to permit action upon the written consent of less than all shareholders of the Company, pursuant to section 2524 of the Pennsylvania Business Corporation Law of 1988. CFC Partners owns a majority of the Company's issued and outstanding shares of common stock and has voted to approve the proposal presented above. Although the meeting occurred and the three actions were approved by the shareholders, at this time the Company's management have not effected any of the authorized actions

### Item 5. Other Information

Effective as of October 31, 2003, the transaction with Spartan Properties, LLC was unwound. In May 2003, the Company had a 47.5% direct equity interest in Vaughn Properties, LLC (the record and title owner of the real estate located in Springfield, Illinois) and an indirect interest

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in Vaughn of 24.225%. The indirect interest was as a result of its 51% interest in its subsidiary, Spartan Properties, LLC. Since the transaction wherein the Company was to acquire its interest in Spartan was never consummated, the transaction was unwound as of October 31, 2003. Effective as of such date,

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Spartan transferred to the Company its 51% in Vaughn Properties, which resulted in the Company owning a 71.725% interest directly in Vaughn. In consideration for such transfer, the Company issued 250,000 shares of common stock to Spartan.

On October 27, 2003, the Company entered into an investment banking agreement with David Sassoon & Co. Plc. Pursuant to which, among other things, the Company issued 85,000 shares to its investment banker. The issuance was pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended.

In November, 2003, an investor executed a subscription agreement to purchase 1,000,000 shares of common stock for ten cents a share, or an aggregate of \$100,000. Said investor was granted piggy-back registration rights with respect to its shares for a period of two years. As of December 24, 2003, the investor has only paid \$20,000 of its purchase price.

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits:

- 4.1 Employment Agreement effective September 1, 2003, by and between Consumers Financial Corporation and Donald J. Hommel
- 4.2 Employment Agreement effective September 1, 2003, by and between Consumers Financial Corporation and Jack Ehrenhaus
- 4.3 Agreement dated October 27, 2003 between Consumers Financial Corporation and David Sassoon & Co. PLC
- 4.4 Agreement dated as of September 10, 2003 by and between Hudson Valley Home Builders & Developers Corp. and Consumers Financial Corp.

The exhibits will be filed by amendment.

- 31 Rule 13a-14(a)/15d-14(a) Certifications
  - 31.1 Section 302 certification by Chief Executive Officer
  - 31.2 Section 302 certification by Chief Financial Officer
- 32 Section 1350 Certifications
  - 32.1 Section 906 certification by Chief Executive Officer
  - 32.2 Section 906 certification by Chief Financial Officer

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#### (b) Reports on Form 8-K

On September 25, 2003, the Company filed a Current Report on Form 8-K under Item 4 to announce the resignation of Stambaugh Ness, PC as the Company's independent accountants and the engagement of Marcum & Kliegman LLP engaged as the new principal independent accountants, commencing with the interim financial statement review for the third quarter ending September 30, 2003, and the audit for the year ending December 31, 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONSUMERS FINANCIAL CORPORATION  
Registrant

Date December 29, 2003

By /s/ Donald J. Hommel

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Donald J. Hommel  
President and Chief Executive Officer

Date December 29, 2003

By /s/ Donald J. Hommel

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Donald J. Hommel  
Chief Financial Officer

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