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MFN FINANCIAL CORP
Form DEFA14A
November 28, 2001

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

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
|---|---|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> CONFIDENTIAL, FOR USE OF THE |
| <input type="checkbox"/> Definitive Proxy Statement | COMMISSION ONLY (AS PERMITTED |
| <input type="checkbox"/> Definitive Additional Materials | BY RULE 14a-6(e) (2)) |
| <input checked="" type="checkbox"/> Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12 | |

MFN FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

 Fee paid previously with preliminary materials:

 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid

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previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement no.:

(3) Filing Party:

(4) Date Filed:

The following presentation materials may be used by MFN Financial Corporation from time to time in meetings with stockholders, analysts and others:

NOVEMBER 28, 2001

CONSUMER PORTFOLIO SERVICES, INC.

- ACQUISITION OF -

MFN FINANCIAL CORPORATION

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that involve risks, uncertainties and assumptions. In particular, the statement that the acquisition is expected to close in the first quarter of 2002 is a forward-looking statement. Factors that could cause the transaction not to close at that time, or at all, would include the possibility that CPS might not obtain necessary external financing (although it has received commitments for such financing), that CPS might not have sufficient internally generated cash, that MFN might not have the requisite level of available cash, that the required consents of state consumer finance regulators might not be obtained, and that MFN stockholders may not approve the transaction. More generally, all statements herein other than statements of historical fact are statements that could be deemed forward-looking statements. For example, statements of the expected benefits of combining CPS with MFN are all forward-looking statements. Risks, uncertainties and assumptions include the possibility that the market for the services offered by CPS and MFN may not develop as expected; that the merger transaction does not close or that the companies may be required to modify aspects of the transaction to achieve regulatory approval; or that prior to the closing of the proposed merger, the businesses of the companies suffer due to uncertainty; that the parties may be unable to successfully execute their integration strategies or to achieve planned synergies; and other risks that may be described from time to time in CPS's and MFN's Securities and Exchange Commission reports. If any of

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these risks or uncertainties materializes or any of these assumptions proves incorrect, CPS's or MFN's results could differ materially from their expectations in these statements. CPS and MFN assume no obligation to update and do not intend to update these forward-looking statements.

COMPANY PROFILES

(in '000s)	CONSUMER PORTFOLIO SERVICES, INC.	MFN FINANCIAL CORPORATION
o HEADQUARTERS	IRVINE, CA	LAKE FOREST, IL
o STOCK SYMBOL	CPSS	MFNF
o MANAGED RECEIVABLES	\$318,127	\$468,321
o LOAN ORIGINATIONS	\$545,048	\$236,847
o DEALER MIX (FRANCHISED/INDEPENDENT)	90%/10%	35%/65%
o EMPLOYEES	488	652

All data is either at September 30, 2001, or for the nine months ended September 30, 2001

TRANSACTION SUMMARY

o PRICE PER MFN SHARE	\$10.00
o CONSIDERATION	CASH
o TRANSACTION VALUE	\$104 MILLION
o EXPECTED CLOSE	Q102
o REGULATORY APPROVALS	HART-SCOTT-RODINO
o SHAREHOLDER APPROVALS	MFN SHAREHOLDERS

TRANSACTION SUMMARY

o ACQUISITION FINANCING:	
Levine Leichtman Capital Partners	\$35 million
o BRIDGE FINANCING:	
Westdeutsche Landesbank Girozentrale	\$60 million
o OTHER	
MFN Required Unrestricted Cash at Closing	\$74 million

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TRANSACTION SUMMARY

o BREAK-UP/TERMINATION:

	Payer	Fee	Expenses
	-----	-----	-----
CPS Financing Fails	CPS	\$750k	+ \$1 mm
MFN Shareholder Approval Fails	MFN	\$750k	+ \$1 mm
MFN Superior Offer	MFN	\$3 mm	- \$1 mm

TRANSACTION RATIONALE

- o Creates larger competitor
- o Expands product offerings
- o Doubles servicing capacity
- o Unlocks value for MFN shareholders
- o Provides portfolio income stream for CPS

TRANSACTION PRICING

o PRICE-TO-TRAILING CORE EARNINGS PER SHARE	20.5x
o PRICE-TO-ANNUAL LOAN ORIGINATIONS	37%
o PRICE-TO-MANAGED RECEIVABLES	25%
o PRICE-TO-BOOK VALUE	75%
o PREMIUM-TO-MARKET	89%

Core Earnings: Fully-taxed net income excluding negative goodwill amortization and non-recurring items

Source: Keefe, Bruyette & Woods, Inc.

PREVIOUS AUTO FINANCE DEALS

Selected transactions, 1996 to present

o PRICE-TO TRAILING CORE EARNINGS PER SHARE	13.3x
o PRICE-TO-ANNUAL LOAN ORIGINATIONS	34%
o PRICE-TO-MANAGED RECEIVABLES	22%
o PRICE-TO-BOOK VALUE	158%
o PREMIUM-TO-MARKET	30%

Core Earnings: Fully-taxed net income excluding negative goodwill amortization and non-recurring items

Source: Keefe, Bruyette & Woods, Inc.

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AUTO FINANCE TRAILING P/E RATIO

[GRAPH OMITTED]

AUTO FINANCE TRADING MULTIPLES

COMPANY	SYMBOL	MKT. VAL.	P/01E	P/02E	P/BOOK
Consumer Portfolio Services	CPSS	33	nm	nm	47%
Union Acceptance	UACA	161	5.1	7.5	91%
Onyx Acceptance	ONYX	26	5.3	5.2	43%
First Investors	FIFS	18	nm	10.0	57%
MEDIAN OF SMALLER MARKET CAPITALIZATION			5.2	7.5	52%
AmeriCredit	ACF	2,045	6.4	5.4	191%
WFS Financial	WFSI	869	10.8	9.4	188%
Credit Acceptance	CACC	358	12.5	10.9	127%
MEDIAN OF LARGER MARKET CAPITALIZATION			10.8	9.4	188%
MEDIAN OF ALL			6.4	8.4	81%

Source: Keefe, Bruyette & Woods, Inc., I/B/E/S Estimates, Individual company reports, closing prices as of November 12, 2001

STOCK PRICE HISTORY - MFNF

[GRAPH OMITTED]

NOTE: THE FOLLOWING NOTICE IS INCLUDED TO MEET CERTAIN LEGAL REQUIREMENTS

MFN Financial Corporation will be sending a proxy statement to its stockholders seeking their approval of the proposed transaction. Investors and security holders are advised to read the proxy statement for further information. When filed, the proxy statement, as well as other SEC filings, can be obtained free of charge from the web site maintained by the SEC at <http://www.sec.gov>.

MFN Financial Corporation and its directors and executive officers may be deemed to be participants in the solicitation of proxies from MFN Financial Corporation stockholders to approve the merger. Information about these

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participants is set forth in the Form 10-K filed with the SEC by MFN Financial Corporation on March 7, 2001. Additional information regarding the interests of these participants may be obtained by reading the proxy statement regarding the proposed merger when it becomes available.